# CITY OF LANSING

# 2004 Comprehensive Annual Financial Report

FOR FISCAL YEAR ENDED JUNE 30, 2004



TONY BENAVIDES, *Mayor* GLENN KIRK, *Director of Finance* 

Prepared by: Department of Finance

# LANSING CITY GOVERNMENT

2004

# **MAYOR**TONY BENAVIDES

# **CLERK**DEBBIE MINER

#### **DISTRICT COURT JUDGES**

PATRICK F. CHERRY CHARLES F. FILICE AMY KRAUSE FRANK J. DELUCA LOUISE ALDERSON

#### **AT LARGE**

JOAN BAUER LARRY MEYER BRIAN JEFFRIES CAROL WOOD

#### CITY COUNCIL

#### **BY WARDS**

1st Ward – HAROLD LEEMAN 2nd Ward – SANDRA ALLEN 3rd Ward – RANDY WILLIAMS 4th Ward – GENEVA SMITH

#### **OFFICERS**

City Assessor	David Tijerina
Interim City Attorney	John M. Roberts
City Treasurer	Jill Rhode
Executive Assistant to the Mayor	David M. Wiener
Finance, Director of	Glenn Kirk
Fire Chief	Gregory Martin
Human Relations & Community Services, Interim Director of	Willard K. Walker
Internal Auditor	Gregory J. Koessel
Management Services, Interim Director of	Marty Riel
Parks & Recreation, Director of	
Personnel, Director of	Nancy Cunningham
Planning & Neighborhood Development, Interim Director of	James A. Ruff
Police Chief	Mark Alley
Public Service, Director of	David A. Berridge

# City of Lansing Table of Contents

	Page
I. INTRODUCTORY SECTION	
Table of Contents	
Letter of Transmittal	3
Certificate of Achievement	8
City Organizational Structure	9
II. FINANCIAL SECTION	
Independent Auditor's Report	11
Management's Discussion and Analysis	13
Basic Financial Statements	
Government - wide Financial Statements Statement of Net Assets Statement of Activities	
Governmental Fund Financial Statements  Balance Sheet	30 31 32
Proprietary Fund Financial Statements Statement of Net Assets	36
Fiduciary Fund Financial Statements Statement of Fiduciary Net Assets Statement of Changes in Fiduciary Net Assets	
Index for Notes to Financial Statements	
Required Supplementary Information Other Than Management's Discussion and Analysis  Budgetary Comparison Schedule – Major Governmental Funds	
Combining and Individual Fund Statements and Schedules – Non-Major Funds	
Governmental Funds Balance Sheet – By Fund Type Statement of Revenues, Expenditures, and Changes in Fund Balances – By Fund Type	
Special Revenue Funds Combining Balance Sheet	94
Balances – Budget and Actual	96

# City of Lansing Table of Contents

	Page
Debt Service Funds	100
Combining Balance Sheet	
Combining Statement of Revenues, Expenditures, and Changes in Fund  Combining Statement of Revenues, Expenditures, and Changes in Fund	104
Balances – Budget and Actual	106
<u> </u>	100
Capital Projects Funds	110
Combining Balance Sheet	
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	112
Permanent Funds	
Combining Balance Sheet	
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	116
Enterprise Funds	
Combining Statement of Net Assets	118
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	
Combining Statement of Cash Flows	
Internal Service Funds	
Combining Statement of Net Assets	122
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	
Combining Statement of Cash Flows	
	120
Pension (and Other Postemployment Benefit) Trust Funds	107
Combining Statement of Fiduciary Net Assets	
Combining Statement of Changes in Fiduciary Net Assets	128
III. STATISTICAL SECTION - UNAUDITED	
Table 1 – General Government Expenditures by Function	130
Table 2 – General Government Revenues by Source	
Table 3 – Property Tax Levies and Collections	
Table 4 – Assessed and Market Value of Taxable Property	
Table 5 – Property Tax Rates – Direct and Overlapping Governments	
Table 6 – Special Assessment Billings and Collections	
Table 7 – Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	
Table 8 – Computation of Legal Debt Margin	
Table 9 – Computation of Direct and Overlapping Bonded Debt	138
Table 10 – Ratio of Annual Debt Service for General Obligation Bonded Debt to Total Governmental Expenditures	120
Table 11A – Schedule of Bond Coverage	
Table 11B – Schedule of Revenue Bond Coverage	
Table 12 – Demographic Statistics	
Table 13 – Property Value and Construction	
Table 14 – Principal Taxpayers	
Table 15 – Miscellaneous Statistics	
Table 16 – Water Consumption by User Classification	
Table 17 – Percentage of Water Consumption by User Classification	
Table 18 – Ten Largest System Customers by Water Consumption	

November 19, 2004

Council President Joan Bauer and Council Members 10th Floor City Hall Lansing, Michigan 48933-1694

Dear President Bauer and Council Members:

We are pleased to submit the comprehensive annual financial report of the City of Lansing, Michigan for the fiscal year ended June 30, 2004. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations government wide and of the various funds of the City. This management assurance is supported by a comprehensive system of internal controls designed to reasonably ensure that assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of these financial statements in conformity with generally accepted accounting principles. Such controls include appropriate policies and procedures, ongoing risk assessment, and monitoring and review processes which are communicated throughout City operations. Disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This letter of transmittal is designed to complement the Management Discussion and Analysis and should be read in conjunction with it. The Management Discussion and Analysis can be found immediately following the Independent Auditor Report

The financial reporting entity (the City) includes all of the funds and of the primary government (i.e., the City as legally defined), as well as its blended component units. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. The Lansing Building Authority, the Tax Increment Finance Authority and the Brownfields Redevelopment Authority are blended component units. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. The Lansing Entertainment & Public Facilities Authority, is reported as a discretely presented component unit.

The City provides a full range of services, including police and fire protection; sanitation services; the construction and maintenance of highways, streets, sewers, and infrastructure; recreational activities and support for human services and cultural events.

Serving as Michigan's capital since 1848, Lansing was incorporated in 1859 and operates under provisions of Public Act 279 of 1909, as amended (the "Home Rule City Act"). The City is located in the lower middle of Michigan's lower peninsula and operates under a strong Mayor form of government established by 1978 Charter revision. It is a mature core City with a population of 119,286 according to revised 2000 Census figures.

#### ECONOMIC CONDITION AND OUTLOOK

Today, as with much of the past decade, Lansing is the number one passenger car assembly site in North America-the "Car Capital". Through regional economic development efforts and incentives, it has helped to secure this position with 2001 construction of the General Motors (GM) Grand River Assembly Plant, a new GM stamping plant, and ongoing construction of the new GM Lansing Delta Assembly Plant. These new high technology manufacturing centers are considered industry models, replacing facilities with roots that are more than 100 years old and helping to secure Lansing's employment and economic base well into the new century. Enhancing economic and employment prospects, as well as GM's competitive position, Lansing continues to work with the Company and neighboring Delta township to attract and house secondary and tertiary sequencing suppliers.

Unlike many other capital goods manufacturing centers, Lansing's economy is multi-faceted, helping to shield the area from some of the more pervasive cyclical trends associated with a strictly manufacturing based economy. As the State Capitol, by Constitution, the principle offices of all State Departments must be located in Lansing. State government has partnered with Lansing on numerous economic development projects, attracting attendant associations and vendors seeking to do business with the State. Lansing is adjacent to Michigan State University, a land grant institution with a community service mission, and the largest of the "Big Ten" Universities. Two Lansing hospitals, employing more than 8,000 people, have emerged as regional health care centers and both are rated among the top hospitals in the country in several medical specialties. Indicative of the relative stability of Lansing's economy, while national unemployment exceeded 6% and Michigan statewide unemployment was 6.8% in June of 2004, Lansing unemployment was 5.0 % and the second lowest of Michigan's 16 reporting regions.

**Economic Development**: Lansing makes strategic use of a "toolbox" of development and redevelopment incentives and partnerships, and is continuing a decade of success in attracting investment and reinvestment in industrial, commercial and housing sectors. Major ongoing projects include:

**-Boji Development.** This project is now nearing completion and will provide 100,000 square feet of privately owned office space near the State Capitol. The State of Michigan will relocate some 700 employees to Lansing's downtown area, including a portion of this facility. Through its Building Authority, the City issued \$19 million in bonds for an adjacent 1,230 space parking ramp. The developer and nearby businesses will guarantee lease for most spaces for the 25 year life of these bonds. Bonds were issued in taxable and non-taxable series and were rated Aaa from Moody's Investor Services and AAA by Standard and Poors Corporation. The City commitment is conservatively expected to be self-funding, with new property tax revenue accruing to the City's Tax Increment Finance Authority (TIFA), once relatively minor Brownfields restoration (See "Prudden Development" below.) commitments are met. A Core Communities Initiative grant and loan from the State is assisting with this project.

**-Prudden Development.** As a core City, Lansing's growth has been restricted by the lack of significant parcels of undeveloped land, and by the higher costs associated with restoration of obsolete sites ("brownfields"). Public Act 381 of 1996 provides for the capture of increased tax value from redevelopment of brownfield sites to reimburse developers for costs associated with such restoration, and Lansing is making extensive use of this redevelopment tool. In 1998, the City, in partnership with a private developer, received a Michigan Transportation Economic Development grant for new road service to an abandoned factory facility (Prudden-Motor Wheel) on the City's Northeast side. The City leased a portion of this facility to serve as a North Police Precinct which was intended to act as a linchpin to a major redevelopment effort. A significant local engineering and consulting firm, and elements of Lockheed-Martin Corporation relocated to the site.

With the success of the first phase of this development, construction is proceeding on renovation of a four story factory building on the site to 110 loft style apartments at an approximate cost to developers of \$1.32 million. The project also includes 120 new luxury rental units on the site at an investment of \$8.2 million, and a

further 60,000 square foot office development represents an investment of \$2.5 million. The City is providing for brownfields recapture under P. A. 381 for these projects. The State of Michigan is providing credits against its Single Business Tax (SBT) to assist the project.

-Boys Training Center Development: A 25 acre site which was formerly the State of Michigan's Boys Training School was purchased by the City, and subsequently sold to the Burton-Katzman Company which is now constructing some 200 units of private market based housing adjacent to Lansing's Eastern and Catholic Central High Schools and Sparrow Hospital. Representing some \$27 million in private development, the project is assisted by a brownfield recapture agreement for environmental and site utility costs. The City, through the Lansing Brownfield's Redevelopment Authority (LBRA), issued \$2,225,000 in bonds to support this project in August, 2004.

These Bonds were rated Aa3 by Moody's Investor Services, and AA+ by Standard and Poors Corporation, reaffirming Lansing's bond rating as one of the highest in Michigan.

**-GM Lansing Delta Assembly Plant**. Construction is now underway and expected to be completed for production by the Spring of 2006. This project is facilitated by an unprecedented intergovernmental agreement between Lansing and adjacent Delta Township under Michigan Public Act 425. The agreement conditionally transferred 1000 acres from Delta Township to the City for twenty-five years, with optional renewal, and provides for sharing of property tax revenue and services. All income tax revenue will accrue to Lansing, while property taxes will be split between the two entities. Subsequent to the agreement, Lansing provided real property tax abatement of 50% of the cost of plant construction, and 100% of new plant equipment under Michigan Public Acts 198 and 328. Offsetting these abatements, GM agreed to pay an Infrastructure Recovery and Service payment to the City. It should be noted, that the facility under construction and the new stamping plant which has already been completed at the site utilize only about 300 acres, leaving significant space for future expansion.

Despite broad scale development success and low relative unemployment, like much of the industrial Midwest Lansing experienced continued challenges in FY 2004. Such challenges were largely attributable to the slow pace of economic recovery elsewhere in Michigan, and State government's responses to resulting revenue shortfalls. A mid-year reduction in State Revenue Sharing of \$1.2 million was offset through maintaining vacancies occurring though position turnover, reduced expenditures for non-essential capital projects, and control and monitoring of internal operating costs. Despite shortfalls in income tax revenues from original estimates, attributable to a hiring moratorium in State Government, and historically low rates of return on short term investments, the City completed the fiscal year using \$139,459 less of its Budget Stabilization Fund, and none of the \$262,566 in General Fund -Fund Balance which was originally appropriated.

FY 2004 represented the first time that the City used funding reserves from its Budget Stabilization Fund (BSF). The BSF was established by ordinance in FY 1994-95 with a transfer of \$5.6 million from its General Fund-Fund Balance. Even after utilizing \$2,063,912 from the Fund in FY 2004, \$8,293,030 remains available. By policy the City may use no more than 20% of its available General Fund-Fund Balance and BSF reserves in any one year. This is intended to ensure that large structural deficits are not generated by exhausting such reserves before budget balancing measures are undertaken.

To meet policy requirements and maintain its financial stability, the City has engaged employees and Directors within its principal departments in a broad strategic effort to resolve structural issues. It has identified and is implementing significant funding change which will occur in FY 2005. Such restructuring will largely occur without diminishing services. The original FY 2005 budget included \$1.8 million from its General Fund-Fund Balance and Budget Stabilization Fund. It is now anticipated that it will not need to use any funding from its reserves. Examples of funding changes include: Through a joint management labor effort, the City will self insure employee health care with appropriate individual and aggregate reinsurance; a rate agreement has been negotiated between the City and the Lansing Board of Water and Light to achieve savings in electrical costs; the City has increased its liability insurance deductible from \$100,000 to \$350,000 to better reflect experience history; the City's franchise agreement for cable television is being renegotiated and is expected to increase revenue.

Among other significant financial policies, The City has established a VEBA plan for non-police and fire employees beginning employment after 1990. In addition, the City has begun funding for both police and fire employees, and those members of the Employees Retirement System who began employment prior to 1990 through the respective pension systems. While high health care premium increases and revenue shortfall precluded voluntary excess contributions in FY 2004, the City has continued to make those contractual and actuarial contributions, with a view that such funding will greatly contribute to long term financial stability. A revised actuarial study is underway to determine future funding needs. Regarding the City's two defined benefit retirement plans, the Police and Fire Retirement System is 103.8% funded and the Employees Retirement System is 86.3% funded as of December 31, 2003. This reflects the Pension Funded Ratio of Actuarial Accrued Liability method of measuring the systems' progress in accumulating benefits when due.

Also, with adoption of its FY 95 Budget, the City implemented a policy of dedicating a minimum of 4% of General Fund expenditures to infrastructure. In most years, the City has exceeded policy funding levels. In FY 2003, the City increased its policy commitment to 5%, incorporating General Fund support for its Combined Sewer Overflow program within its Sewage Fund to partially cash fund the program. In FY 2004, initial support exceeded 5%; however, State Shared revenue reductions necessitated deferral of some lower priority activities. The original 4% commitment was maintained. Partially offsetting reduced available funding from its General Fund, the City utilized project residuals, worked to close several older bond funds, and made planned use of 2003 Sewage Bond proceeds.

#### OTHER INFORMATION

<u>Budgeting Controls</u>. The objective of the City's budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year end. However, encumbrances generally are re-appropriated as part of the following year's budget. Council appropriates to a level of Personnel, Operating Costs, Debt, Equipment, and (where applicable) Contingencies within each Department, and delegates expenditure control within these categories to management with specific reporting requirements under adopted policy.

**Risk Management.** The City carries all-risk coverage on all real and personal property and contents. The total coverage is \$200 million with a \$25,000 deductible. Workers Compensation is self insured with excess reinsurance coverage for claims exceeding \$500,000 from the State Accident Fund. The City carries liability coverage in the amount of \$16 million per occurrence.

<u>Independent Audit</u>. State statutes require an annual audit by independent certified public accountants. The accounting firm of PricewaterhouseCoopers LLP, was selected by the City's Audit Committee. In addition to meeting requirements set forth in State statutes, the audit also was designed to meet the requirements of the Federal Single Audit Act of 1984 and related OMB Circular A-133. The auditor's report on the general-purpose financial statements and schedules is included in the financial section of this report.

<u>Awards.</u> The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003. This was the 26th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

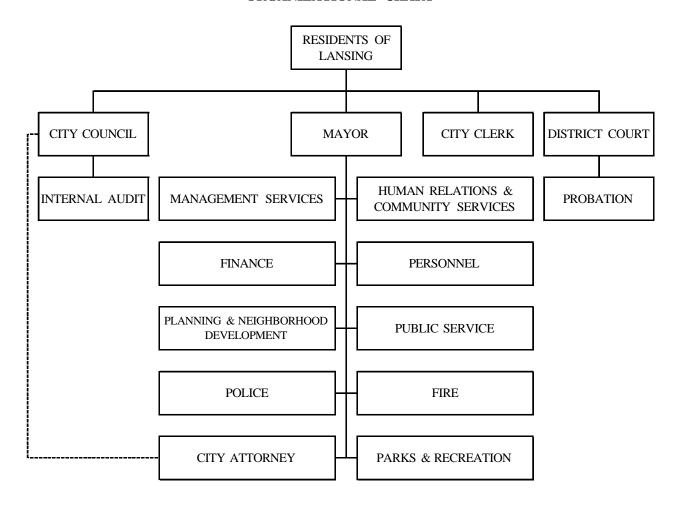
**Acknowledgments.** The preparation of this comprehensive annual financial report, on a timely basis, was made possible by the dedicated service of the entire staff of the Finance Department. Because of vacancies and a hiring freeze, many staff were working in out of class assignments during the audit, and the results reflect the extra efforts of all involved. Each member of the department has our sincere appreciation for their contributions made in the preparation of this report and in the financial management of the City. The 26th consecutive GFOA award, recognizing their efforts, is well deserved indeed.

Sincerely,

Tony Benavides Mayor

Glenn Kirk Director of Finance **INSERT CERTIFICATE OF ACHIEVEMENT** 

#### ORGANIZATIONAL CHART



# **II Financial Section**

Independent Auditor's Report
Management Discussion and Analysis
Basic Financial Statements

#### **Report of Independent Auditors**

The Honorable Mayor and Members of City Council City of Lansing, Michigan

In our opinion, based on our audit and the report of other auditors, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Lansing, Michigan (the "City") which collectively comprise the City's basic financial statements as listed in the table of contents, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City's at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. We also have audited the financial statements of the City's nonmajor governmental, nonmajor enterprise, and fiduciary fund's presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2004, as listed in the table of These financial statements are the responsibility of the City's management. responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lansing Entertainment and Public Facility Authority, which statements reflect total assets of \$1,520,375 as of June 30, 2004 and total revenues of \$6,114,267 for the year then ended, together the Local Site Remediation Revolving internal service fund and the Brownfield Redevelopment Authority special revenue fund, which statements reflect total assets of \$238,263 as of June 30, 2004, and total revenues of \$260,483 for the year then ended, and the Tax Increment Finance Authority, which statements reflect total assets of \$366,886 as of June 30, 2004, and total revenues of \$4,873,366 for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions expressed herein, insofar as it relates to the amounts included for the Lansing Entertainment and Public Facility Authority, a business-type fund, the Local Site Remediation Revolving and the Brownfield Redevelopment Authority funds, and the Tax Increment Finance Authority, all governmental fund types, are based solely on the report of the other auditors. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provides a reasonable basis for our opinions.

In accordance with <u>Government Auditing Standards</u>, we have also issued our report dated November 19, 2004 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with <u>Government Auditing Standards</u> and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information on pages 13 through 23 and 85 through 87 are not a required part of the basic financial statements but are supplementary information required by accounting principles general accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. These sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

November 19, 2004

#### MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Lansing, Michigan ("the City") provides this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004 for the benefit of the readers of these financial statements. This management's discussion and analysis ("MD&A") is intended to assist the reader in focusing on significant financial issues and provide an overview of the City's financial activity. The City encourages the readers to consider the following information here in conjunction with the financial statements taken as a whole, which follow this section.

#### **HIGHLIGHTS**

#### **Government-wide:**

• The assets of the City exceeded its liabilities at the close of the fiscal year by \$416.6 million (reported as *net assets*), a decrease of \$1.2 million from the previous year. Component unit of the City reported net assets of \$486,256, a decrease of \$240,624 from the previous year.

#### **Fund Level:**

- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$43.9 million. Of this, \$38.9 million is reported as unreserved fund balance, inclusive of \$8.3 million in the City's Budget Stabilization Fund (before fiscal year 2005 designation of \$1.1 million) and \$9.8 million designated for capital projects for subsequent year expenditure. The remaining fund balance of \$5.0 million is reserved for specific purposes, such as long-term advances to other funds and encumbrances. At the end of the fiscal year, unreserved fund balance for the General Fund was \$5.6 million, a decrease of \$378,723.
- The business-type activities reported net assets at year-end of \$203.8 million, an increase of \$3.4 million during the year. The majority of the increase represents the Sewage Disposal Fund's \$5.8 million in current year income.

#### **Debt:**

• The City's total debt was \$253.2 million at June 30, 2004, an increase of \$53.5 million (or 27%), which represents the net difference between new issuances, and payments and refunding of outstanding debt. During the year, the City issued debt of \$78.5 million, including \$570,000 in new capital lease debt for roof replacement, \$210,000 in new capital lease debt for computer hardware, \$14.3 million in limited tax general obligation bonds for its Combined Sewer Overflow (CSO) abatement project, \$39.9 million in revenue bonds for its Combined Sewer Overflow, and \$19 million in Building Authority bonds for downtown development. More detailed information regarding these activities and funds can be found in footnote 5, Debt which begins on page 62.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is an introduction to the City's basic financial statements, which comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

Government-wide Statements (Reporting the City as a Whole) These statements include all non-fiduciary assets and liabilities, but exclude assets and liabilities related to pensions. The Statement of Net Assets and the Statement of Activities are two financial statements that report information about the City, as a whole, and about its activities, which provide measurements of long term trends that should help answer this question: Is the City, as a whole, better off or worse off as a result of this year's activities? Unlike the governmental funds, the current year's revenues and expenses are taken into account regardless of when cash is received or paid, known as "full accrual accounting".

The Statement of Net Assets (pages 25 and 26) presents all of the City's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in net assets are an indicator of whether the City's long term financial position is improving or deteriorating.

The Statement of Activities (pages 27 and 28) presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

The Statement of Net Assets and the Statement of Activities report three activities, as follows:

- Governmental Activities Most of the City's basic services are reported under this category. Property taxes, income taxes, and intergovernmental revenues generally fund these services. The Council (legislative branch), the District Court (judicial branch), and general operations of the executive branch departments, such as police, fire, parks, public works, and staff departments fall within the governmental activities.
- Business-type Activities The City charges fees to customers to help cover all or most of the cost of certain services it provides. Sewage collection and treatment and commercial area parking are examples of businesstype activities.
- Discretely Presented Component Units Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City has only one such discretely presented unit; the Lansing Entertainment and Public Facilities Authority.

These financial statements include two schedules (pages 31 and 33) that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities (full accrual accounting) on the appropriate government-wide statements. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities are not reported on governmental fund statements.
- Certain revenues that are earned, but not available for use within the reporting period, are reported as revenues for governmental activities, but are reported as deferred revenue on the governmental fund statements.
- Other long-term assets that are not available to pay for current period expenditures are deferred in governmental fund statements, but not deferred on the government-wide statements.
- Internal service funds are reported as governmental activities, but reported as proprietary funds in the fund financial statements.
- Bond issuance costs, discounts and premiums in the issuance of long term debt, are reported as expenditures in governmental fund statements, but are capitalized and amortized in the government-wide statements.
- Unless due and payable, long-term liabilities, such as capital lease obligations, compensated absences, litigation, and others only appear as liabilities in the government-wide statements.
- Capital outlay spending in excess of capitalization thresholds are recorded as capital assets on the government-wide statements, but are reported as expenditures on the governmental fund statements.

- Bond and note proceeds result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements.
- Certain other outflows, such as debt service principal payments, represent decreases in liabilities on the government-wide statements, but are reported as expenditures on the governmental fund statements.

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 43 of this report.

#### Fund Financial Statements (Reporting the City's Major Funds)

The City's Major Funds are identified as its Sewage Disposal Fund, its Parking System Fund, and its Act 51 Major and Local Street Funds, along with its General Fund. The major fund financial statements begin on page 30. In addition to major funds, individual fund data for the non-major funds begins on page 89. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to keep track of specific sources of funding and spending for a particular purpose.

- Governmental funds -- Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are greater or fewer financial resources that can be spent in the near future to finance the City's programs. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds include the General Fund and special revenue, capital project, debt service, and permanent funds.
- Proprietary funds -- When the City charges customers for the services it provides, whether to outside
  customers or to other agencies within the City, these services are generally reported in proprietary funds.
  Proprietary funds (enterprise and internal service) utilize full accrual accounting; the same method used by
  private sector businesses. Enterprise funds report activities that provide supplies and services to the general
  public. Examples are the Sewage Disposal Fund and the Parking Fund. Internal service funds are reported as
  governmental activities on the government-wide statements.
- Fiduciary Funds -- The City acts as a trustee or fiduciary, for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets beginning on page 40. These funds, which include pension and other employee benefit funds, are reported using full accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent spendable assets of the City to finance its operations.

#### **Additional Required Supplementary Information**

Following the basic financial statements is additional Required Supplementary Information that further explains and supports the information in the financial statements. The Required Supplementary Information includes budgetary comparison schedules reconciling the statutory and generally accepted accounting principles (GAAP) fund balances at fiscal year-end, and required pension supplementary information.

#### **Other Supplementary Information**

Other supplementary information includes combining financial statements for non-major governmental, proprietary, and fiduciary funds. These funds are added together, by fund type, and presented in single columns in the basic financial statements, but are not reported individually, as with major funds, on the governmental fund financial statements.

#### FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

The City's combined net assets decreased \$1.2 million over the course of this fiscal year's operations to a total of \$416.6 million. The net assets of the governmental activities decreased \$4.6 million or 2.2% and business-type activities increased \$3.4 million or 1.7%.

Net Assets as of Jun	e 30,
(in millions of dolla	urs)

		nmental ivities 2003	Business-type Activities 2004 2003	Total Primary Government 2004 2003		
Assets Current and other non-currentassets Capital assets	\$ 47.7 228.1	\$ 56.3 233.4	\$ 94.3 \$ 56.9 318.3 289.4	\$ 142.0 \$ 113.2 546.4 522.8		
Total assets	\$ 275.8	\$ 289.7	\$ 412.6 \$ 346.3	\$ 688.4 \$ 636.0		
Liabilities Liabilities Long-termliabilities Other liabilities Total liabilities	\$ 34.1 28.9 \$ 63.0	\$ 54.2 21.6 \$ 75.8	\$ 192.1 \$ 131.7 16.7 14.2 \$ 208.8 \$ 145.9	\$ 226.2 \$ 185.9 45.6 35.8 \$ 271.8 \$ 221.7		
Net assets Invested in capital assets, net of related debt Restricted Unrestricted	197.5 - 15.3	193.5	138.8 163.7 .7 1.0 64.3 35.7	336.3 357.2 0.7 1.0 79.6 56.1		
Total net assets	\$ 212.8	\$ 213.9	\$ 203.8 \$ 200.4	\$ 416.6 \$ 414.3		

The largest component (81%) of the City's net assets reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt outstanding that was needed to acquire or construct the assets. Unrestricted net assets are the next largest component, comprising 19%. These represent resources that may be used at the City's discretion, but often have limitations based upon policy action. The remaining portion, restricted net assets, is subject to external restrictions such as bond covenants, City Charter, State legislation or Constitutional provision.

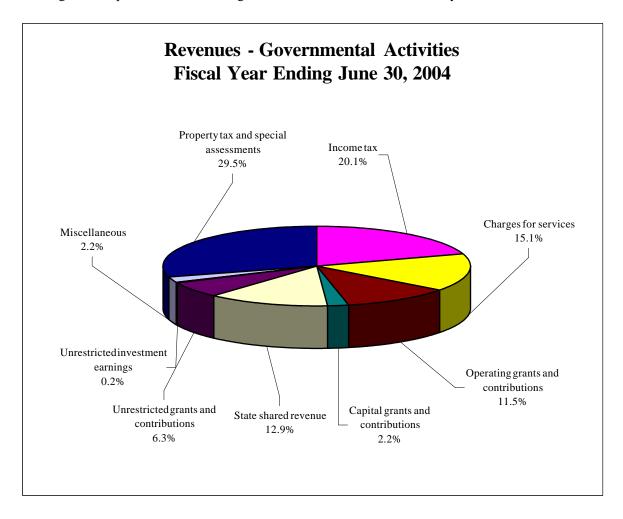
The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City's net assets changed during the fiscal year:

#### Change in Net Assets for the Fiscal Year Ended June 30, (in millions of dollars)

			Acti	ness-type tivities			Total Primary Government				
	2004		2003		2004		2003		2004		2003
Revenues											
Programrevenues				_				_			
Charges for services	\$ 20.7	\$	19.7	\$	39.2	\$	38.6	\$	59.9	\$	58.3
Operating grants	15.7		16.0		-		-		15.7		16.0
Capital grants	3.0		1.7		.1		.9		3.1		2.6
General revenues											
Taxes	67.8		68.7		-		-		67.8		68.7
State shared revenue	17.7		19.4		-		-		17.7		19.4
UnrestrictedGrants and Contributions	8.7		8.8		-		-		8.7		8.8
UnrestrictedInvestment											
Earnings	.3		.7		.2		.3		.5		1.0
Other	 2.9		1.7		.4		.3		3.3		2.0
Total revenues	 136.8		136.7		39.9		40.1		176.7		176.8
Expenses											
General government, administrative	53.4		54.4		_		_		53.4		54.4
Public Safety	41.3		37.0		_		_		41.3		37.0
Public Works	22.1		23.7		_		_		22.1		23.7
Recreation and Culture	8.0		8.1		_		_		8.0		8.1
CommunityDevelopment	8.4		9.6		_		_		8.4		9.6
Interest on Long Term Debt	2.0		2.3		_		_		2.0		2.3
Sewage Disposal System	_		_		20.9		19.3		20.9		19.3
Municipal Parking System	_		_		9.2		8.8		9.2		8.8
Cemetery	_		_		.8		.7		.8		.7
Golf	_		_		1.6		1.6		1.6		1.6
Garbage and Refuse Collection	_		_		1.3		1.3		1.3		1.3
Recycling	_		_		2.8		2.6		2.8		2.6
Potter Park Zoo	 		_		2.5		2.2		2.5		2.2
Total expenses	 135.2		135.1		39.1		36.5		174.3		171.6
Excess before transfers	1.6		1.6		.8		3.6		2.4		5.2
Transfers in (out)	 (2.7)		(4.1)		2.7		3.7		_		(.4)
Changes in net assets	(1.1)		(2.5)		3.5		7.3		2.4		4.8
Beginningnet assets	 213.9		216.4		200.4		193.1		414.3		409.5
Ending net assets	\$ 212.8	\$	213.9	\$	203.9	\$	200.4	\$	416.7	\$	414.3

#### **Governmental Activities:**

The following chart depicts revenues of the governmental activities for the fiscal year:

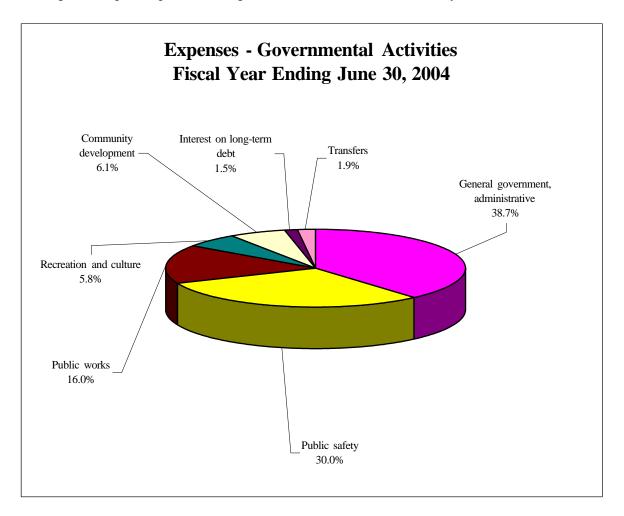


Property taxes comprised 29.5% of Governmental Activities revenue, with \$2,205,186 representing debt service on voted unlimited tax- general obligation debt. The City's operating millage is currently 14.9 mills. In accordance with Charter and State Constitutional provisions, the City may levy up to 19.2635 mills for operations in FY 2005.

Income taxes comprised 20.1% of Governmental Activities revenue which fully appears within the General Fund. Local income tax rates are prescribed by State law, and limited in Lansing's case to 1% of resident income and 0.5% of the income of persons working in the City, but living outside of its corporate boundaries.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax and motor fuel and weight taxes. FY 2004 receipts from the State of Michigan trended downward, due to declining sales tax collections and discretionary reductions in revenue sharing payments.

The following chart depicts expenses of the governmental activities for the fiscal year:



#### **Business-type Activities**

Net assets of the business-type activities increased by \$3.4 million during the fiscal year. The factor contributing to these results was funds raised for the City's combined sewer overflow project.

The Sewage Disposal System Fund net assets increased by \$6,510,080. This is primarily a result of funding for capital costs of the combined sewer separation project. Sewage system revenues are expected to increase by 4% per year over the next five years to continue this 30 year project.

Within non-major funds, Cemeteries, Golf, Potter Park Zoo, Building Department Fund, Garbage and Rubbish, and Recycling remain subsidized by the General Fund.

The City of Lansing is continuing its five year plan to eliminate the unrestricted net asset deficit in the Golf Fund.

#### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the fiscal year, its governmental funds reported fund balances of \$43.9 million. Of this total amount, \$38.9 million, or 88.6% constitutes unreserved fund balance, which is available for appropriation for the general purposes of the funds. This includes \$8.3 million in the City's Budget Stabilization Fund of which \$1.1 million has been appropriated for fiscal year 2005 and \$9.8 million designated for capital projects for subsequent year expenditure. The remainder of fund balance is reserved and is not available for new spending because it has already been reserved for specific purposes, including special assessments and encumbrances.

#### **General Fund**

The General Fund is the chief operating fund of the City. At the end of fiscal year 2003-2004, the General Fund fund balance was \$6.9 million, including an unreserved fund balance of \$5.6 million and a reserved fund balance of \$1.3 million. The General Fund's total fund balance remained unchanged as compared to FY 2003, as a result of various operating transfers during the year to the City's funds offset by a budgeted transfer from the Budget Stabilization Fund in the amount of \$2,063,912, in accordance with policy and ordinance. Unreserved fund balance decreased by \$378,723, attributable to more contractual obligations at year end than in FY 2003.

#### General Fund Budgetary Highlights:

Expenditures in comparison to budget were reduced in virtually all operating departments by a partial hiring freeze impacting all but public safety positions, by selective deferral of equipment purchases, and by administrative actions to reduce operating costs.

- Additional Human Services programs were added during FY 2004. Council budget was increased for grants
  and contractual services. Budgeted transfers out were reduced due to residuals being used from infrastructure
  closeouts for roads.
- Property tax revenue increased \$1,431,160 or 4.6% in FY 2004. This occurred despite the economic downturn at the State and National level and is attributed to the City's economic development efforts.
- Income tax revenue decreased \$1,746,211 or 5.9% in FY 2004 due largely to reductions in the State government workforce.
- Reduction of State sales tax shared revenue and by executive order reduced the Lansing share by \$1.7 million. The budget was reduced during the year to reflect this reduction.

Interest income declined by \$305,788 or 68% due to market conditions resulting in reduced rates of return.

#### **Budget Stabilization Fund**

Fund balance at June 30, 2004 decreased to \$8.3 million, from \$10.4 million the previous year. The Fund is limited by Ordinance to 10% of year end General Fund appropriations. The City has appropriated \$1.1 million for their 2005 budget.

#### **Capital Assets**

Capital Assets: At the end of the fiscal year 2003-2004, the City had invested \$542.7 million, net of accumulated depreciation, in a broad range of capital assets (see the table below). Total depreciation charges for the fiscal year were \$22.2 million. Additional information regarding the City's capital assets can be found in the notes to the basic financial statements.

# Capital Assets as of June 30, (net of depreciation, in millions of dollars)

		lovernmental Activities			Busin Acti		Total Primary Government					Component Unit				
	2004		2003		2004		2003		2004		2003	2	004	20	003	
Land	\$ 24.6	\$	24.5	\$	22.6	\$	22.6	\$	47.2	\$	47.1	\$	_	\$	_	
Land improvements	4.5		3.7		13.7		14.3		18.2		18.0		-		-	
Buildings and improvements	50.4		49.4		91.7		94.8		142.1		144.2		-		-	
Equipment	6.7		6.6		1.4		1.5		8.1		8.1		.2		.3	
Sewers	-		-		99.7		102.6		99.7		102.6		-		-	
Infrastructure	 137.9		143.6		_		_		137.9		143.6					
Subtotal	224.1		227.8		229.1		235.8		453.2		463.6		.2		.3	
Constructionin progress	4.0		5.6		89.3		53.6		93.3		59.2					
Total	\$ 228.1	\$	233.4	\$	318.4	\$	289.4	\$	546.5	\$	522.8	\$	.2	\$	.3	

Infrastructure capital assets in governmental activity funds of \$10,611,807 was removed from service during the year.

Within business-type activity funds, construction in progress capital assets increased with recognition of improvements associated with the City's combined sewer overflow abatement project.

#### **Debt Administration**

The City, along with the Lansing Building Authority (LBA), a blended component unit of the City, are empowered by law to authorize, issue, and sell debt obligations. Limited tax and unlimited tax general obligation bonds, are backed by the full faith and credit of the City. The City also issues revenue dedicated bonded debt, whose payment for principal and interest comes solely out of funds that receive legally restricted revenues. The Sewage Disposal fund has the only dedicated revenue bonds which are currently outstanding. LBA's bonds financed the construction of parking, golf course, and firing range improvements. Revenues derived from user fees from persons using parking and golf facilities fund the debt service requirements for related improvements, but they are also backed by a limited tax pledge. The General Fund pays for firing range related debt service. More detailed information regarding the City's long-term obligations is presented in Note 5 (Long-Term Debt) to the financial statements.

# Outstanding Bonded Debt as of June 30, (in millions of dollars)

	2004	2003
Governmental: General obligation bonds (backed by the City)	\$ 25.1	\$ 29.6
Business Type:		
General obligation bonds (backed by the City)	141.3	110.4
Revenue bonds and notes (backed by specific fee revenues)	55.2	28.5
Sub-total Sub-total	196.5	138.9
Total	\$ 221.6	\$ 168.5

During fiscal year 2003-2004, the City entered into a capital lease of \$570,000 for roof replacement, and \$210,000 for computer hardware. The City also issued \$14.3 million in limited tax-general obligation debt, of which \$1.2 million in funds related to this issue have been drawn down from the Michigan Municipal Bond Authority as of June 30, 2004, and \$39.9 million in revenue bonds for its combined sewer overflow abatement project, supported, in part, by Sewage Disposal Fund user fees. In addition \$19 million was issued in Building Authority general obligation debt for downtown development.

#### ECONOMIC CONDITION AND OUTLOOK

Locally generated revenue remained moderately strong in FY 2004. With realization of development initiatives and low mortgage rates, property tax revenue increased 4.6%. In June of 2004, Lansing unemployment was 5%, which was the second lowest of the State's reporting regions. Statewide unemployment was 6.8%, reflective of the delayed economic recovery, particularly in the manufacturing and travel industries.

However, intergovernmental receipts continued to decline, with a reduction of \$1.7 million in State Shared revenue. This was implemented due to State sales tax declines and a multi-year reduction in State income and business tax rates which were enacted prior to the recession.

Reductions in State Shared revenue, as well as continued reductions in investment income in the low interest rate environment, negatively impacted the City. In response, the City, through managerial actions, reduced lower priority capital expenditures and operating costs, as well as instituting a limited freeze on hiring to fill vacant positions.

#### CONTACTING THE CITY FINANCE DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Finance Department at (517) 483-4500.

**Basic Financial Statements** 

## City of Lansing Statement of Net Assets June 30, 2004

		P	Primary Governmen	t			Component unit Non-major Lansing Entertainment &
	Governmental		Business-Type			_ 1	Public Facilities
	activities		activities		Totals		Authority
Assets							
Cash and cash equivalents	\$ 6,360,266	\$	23,980,064	\$	30,340,330	\$	105,474
Equity in pooled cash	25,150,375		8,852,680		34,003,055		-
Investments	34,500		-		34,500		-
Receivables, net of allowances for uncollectibles							
Accounts	5,557,658		2,001,853		7,559,511		660,550
Accrued interest	594,813		78,942		673,755		-
Taxes	9,022,385		-		9,022,385		-
Special assessments	793,384		-		793,384		-
Loans	230,375		-		230,375		-
Ambulance fees	788,359		-		788,359		-
Internal balances	(9,192,250)		9,192,250		-		-
Due from other governments	4,025,785		-		4,025,785		-
Due from pension fund	1,438,505		-		1,438,505		-
Prepaid expenses	1,234,553		-		1,234,553		81,479
Inventories	1,675,938		401,503		2,077,441		58,928
Restricted assets							
Cash and cash equivalents	21,068		48,770,369		48,791,437		397,273
Accrued interest receivable	14		12,862		12,876		19,334
Bond issue costs	7,628		1,014,533		1,022,161		-
Capital assets							
Land	24,578,668		22,581,816		47,160,484		-
Land improvements	7,956,683		22,483,485		30,440,168		-
Buildings	87,204,400		168,265,046		255,469,446		-
Equipment	34,005,199		5,439,734		39,444,933		1,483,729
Infrastructure	320,697,655		129,860,728		450,558,383		-
Less accumulated depreciation	(250, 353, 914)		(119,559,571)		(369,913,485)		(1,286,392)
Construction in progress	 4,033,345	_	89,270,117	_	93,303,462		
Total capital assets	 228,122,036	_	318,341,355	_	546,463,391	_	197,337
Total assets	\$ 275,865,392	\$	412,646,411	\$	688,511,803	\$	1,520,375

The accompanying notes are an integral part of the financial statements.

## City of Lansing Statement of Net Assets June 30, 2004

								Component unit Non-major
			D	mary Governmen	. 4			Lansing Entertainment &
	_	Governmental		Business-Type	ıı		_	Public Facilities
	•	activities	•	activities		Totals		Authority
Liabilities		detivities		activities		Totals		ridinority
Accounts payable	\$	5,579,818	\$	655,400	\$	6,235,218	\$	287,169
Deposits payable	-	288,708	-	71,031	-	359,739	_	
Accrued interest payable		442,579		480,980		923,559		_
Accrued payroll		2,701,653		257,478		2,959,131		-
Other accrued liabilities		399,961		_		399,961		165,773
Contract retainage payable		1,622,723		-		1,622,723		· -
Indemnity bonds		22,051		-		22,051		-
Due to other governments		1,130,329		125,089		1,255,418		-
Deferred revenues		744,544		1,119,372		1,863,916		418,881
Payable from restricted assets								
Accounts payable		-		3,673,611		3,673,611		-
Accrued interest payable		28,979		567,302		596,281		-
Capital lease payable - current		100,000		_		100,000		-
Capital lease payable - long-term portion		1,525,000		_		1,525,000		-
General obligation bonds payable, current		-		5,350,000		5,350,000		-
Revenue bonds payable, current		-		3,665,000		3,665,000		-
Loans payable, current		131,088		_		131,088		-
Capital leases payable, current		1,779,000		_		1,779,000		49,739
General obligation bonds payable, current		4,850,000		_		4,850,000		-
Accrued compensated absences, current		7,640,689		720,058		8,360,747		-
Accrued workers' compensation, current		1,442,000		-		1,442,000		-
Loans payable		277,195		4,179,650		4,456,845		-
Capital leases payable		6,454,752		_		6,454,752		112,557
General obligation bonds payable		20,273,133		135,976,074		156,249,207		-
Revenue bonds payable		-		51,555,784		51,555,784		-
Accrued compensated absences		3,062,555		432,234		3,494,789		-
Accrued workers' compensation		2,106,408		_		2,106,408		-
Accrued general liability claims		400,000				400,000		
Total liabilities		63,003,165		208,829,063		271,832,228		1,034,119
Net assets								
Invested in capital assets, net of related debt		197,530,605		138,830,169		336,360,774		35,041
Restricted for				, , ,		,,		,
Debt retirement		_		718,828		718,828		_
Unrestricted		15,331,622		64,268,351		79,599,973		451,215
Total net assets	\$	212,862,227	\$	203,817,348	\$	416,679,575	\$	486,256

The accompanying notes are an integral part of the financial statements.

### City of Lansing Statement of Activities June 30, 2004

			Program Revenues					
Functions/Programs		Expenses	•	Charges for services		Operating grants and ontributions		Capital grants and entributions
Primary government								
Governmentalactivities General government, administrative Public safety Public works Recreation and culture Community development Interest on long-term debt	\$	53,353,559 41,292,750 22,118,173 7,979,953 8,387,559 2,041,758	\$	4,686,901 11,682,187 2,713,258 1,581,607	\$	26,237 3,175,179 12,479,779 64,986	\$	382,031 2,651,860
Total governmentalactivities		135,173,752		20,663,953		15,746,181		3,033,891
Business-typeactivities Sewage Disposal System Municipal Parking System Cemetery Golf Garbage and Rubbish Collection Recycling Potter Park Zoo Total business-typeactivities	_	20,864,079 9,196,910 828,073 1,620,669 1,321,760 2,768,307 2,542,065 39,141,863		26,529,842 7,510,354 226,631 951,923 1,315,413 2,115,917 505,666 39,155,746				93,207
Total primary government	\$	174,315,615	\$	59,819,699	\$	15,746,181	\$	3,127,098
Component unit Lansing Entertainment & Public Facilities Authority Total component unit	\$	6,354,891	\$	5,257,555 5,257,555	\$ \$	855,600 855,600	\$	-
20th Componential		neral Revenues		3,237,333	Ψ	022,000	Ψ	

Taxes:

Property tax and special assessments

State shared revenue

Incometax

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of capital assets

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

The accompanying notes are an integral part of the financial statements. Net (Expenses) Revenues and Changes in Net Assets

	Primary Governmen	t		Component unit Non-major Lansing Entertainment &
Governmental	Business-Type			Public Facilities
activities	activities		Totals	Authority
\$ (48,640,421)	\$ -	\$	(48,640,421)	\$ -
(26,435,384)	-		(26,435,384)	-
(6,925,136)	-		(6,925,136)	-
(5,951,329)			(5,951,329)	-
(5,735,699)			(5,735,699)	-
(2,041,758)			(2,041,758)	
(95,729,727)			(95,729,727)	
-	5,665,763		5,665,763	-
-	(1,686,556)		(1,686,556)	-
-	(601,442)		(601,442)	=
-	(575,539)		(575,539)	-
-	(6,347)		(6,347)	-
-	(652,390)		(652,390)	-
-	(2,036,399)		(2,036,399)	
-	107,090		107,090	
(95,729,727)	107,090		(95,622,637)	-
-				(241,736)
				(241,736)
40,354,088	-		40,354,088	-
17,684,948	-		17,684,948	-
27,437,494	-		27,437,494	-
8,653,465	-		8,653,465	-
312,069	249,855		561,924	1,112
30,814	<del>-</del>		30,814	-
2,872,978	387,551		3,260,529	-
(2,668,510)			-	
94,677,346	3,305,916		97,983,262	1,112
(1,052,381)	3,413,006		2,360,625	(240,624)
213,914,608	200,404,342		414,318,950	726,880
\$ 212,862,227	\$ 203,817,348	\$	416,679,575	\$ 486,256

### **Governmental Fund Financial Statements**

# **Major Funds**

**General Fund** – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Act 51, Public Acts of 1951 Major Streets Fund – This fund accounts for revenues received from the State of Michigan for the City's share of state gasoline and weight taxes, which is used for maintenance of major streets.

Act 51, Public Acts of 1951 Local Streets Fund – This fund accounts for revenues received from the State of Michigan for the City's share of state gasoline and weight taxes, which is used for maintenance of local streets.

## **Non-Major Funds**

Non-major governmental funds are presented, by fund type, beginning on the pages listed below: Special Revenue funds, page 91.

Debt Service funds, page 101.

Capital Projects funds, page 109.

City of Lansing Balance Sheet Governmental Funds June 30, 2004

	General fund	Act 51, Public Acts of 1951 Major Streets	Act 51, Public Acts of 1951 Local Streets	Non-Major funds	Totals June 30, 2004
Assets	Ф 1 c14 221	ф	¢.	Ф. 4.670.001	Ф. с 202 212
Cash and cash equivalents	\$ 1,614,321	\$ -	\$ -	\$ 4,678,891	\$ 6,293,212
Equity in pooled cash	-	2,875,849	1,434,101	18,025,820	22,335,770
Investments	4 422 620	-	-	34,500	34,500
Accounts receivable, net	4,433,630	-	-	1,124,028	5,557,658
Taxes receivable	8,959,890	-	-	702.204	8,959,890
Special assessments receivable	-	-	-	793,384	793,384
Loans receivable	-	-	-	230,375	230,375
Accrued interest receivable	-	-	-	1,755	1,755
Other receivables	7.064.242	2 002 256	-	593,058	593,058
Due from other funds	7,064,342	2,802,356	240.122	8,112,514	17,979,212
Due from other governments	82,711	1,245,454	340,122	2,357,498	4,025,785
Prepaids	207,667	-	-	-	207,667
Inventories	1,421,314				1,421,314
Total assets	\$ 23,783,875	\$ 6,923,659	\$ 1,774,223	\$ 35,951,823	\$ 68,433,580
Liabilities					
Accounts payable	\$ 3,658,037	\$ 189,567	\$ 60,390	\$ 1,610,706	\$ 5,518,700
Deposits payable	-	-	-	288,708	288,708
Accrued payroll	2,385,647	29,320	33,924	234,346	2,683,237
Contract retainage payable	1,622,723	-	_	_	1,622,723
Indemnity bonds	_	13,805	8,246	-	22,051
Due to other funds	7,656,111	-	_	4,502,922	12,159,033
Due to other governments	1,130,329	-	_	_	1,130,329
Deferred revenue	_	-	_	744,544	744,544
Other	399,961				399,961
Total liabilities	16,852,808	232,692	102,560	7,381,226	24,569,286
Fund balances					
Reserved for advances to other funds	592,523	-	-	-	592,523
Reserved for encumbrances	731,586	2,052,896	48,463	-	2,832,945
Reserved for programs	-	-	-	1,587,436	1,587,436
Unreserved, reported in:					
General Fund	5,606,958	-	-	-	5,606,958
Special Revenue Funds	-	4,638,071	1,623,200	11,689,299	17,950,570
Capital Projects Funds				15,293,862	15,293,862
Total fund balances	6,931,067	6,690,967	1,671,663	28,570,597	43,864,294
Total liabilities and fund balances	\$ 23,783,875	\$ 6,923,659	\$ 1,774,223	\$ 35,951,823	\$ 68,433,580

The accompanying notes are an integral part of the financial statements.

#### City of Lansing Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets

June 30, 2004

Total fund balances for governmental funds

Amounts reported for governmental activities in the Statement of Net Assets are different because

\$ 43,864,294

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Land	24,523,371	
Land improvements	7,956,683	
Buildings	84,249,988	
Equipment	21,940,656	
Infrastructure	320,697,655	
Accumulated depreciation	(240,674,543)	
Construction in progress	4,033,345	222,727,155
Other long-term assets are not available to pay for current period expenditures and		
therefore are not reported in the funds.		
Prepaid interest	1,026,886	
Income tax penalties and interest receivables	62,495	
Ambulance fees	788,359	1,877,740

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.

6,718,886

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Governmental loans payable	(408,283)
General obligation bonds payable	(25,123,133)
Accrued interest payable	(442,579)
Capital lease obligations	(21,807,676)
Compensated absences	(10,595,769)
Workers' compensation	(3,548,408)
General liability claims	(400,000)

\$ 212,862,227

(62,325,848)

The accompanying notes are an integral part of the financial statements.

Net assets of governmental activities

City of Lansing Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2004

P	General fund	Act 51, Public Acts of 1951 Major Streets	Act 51, Public Acts of 1951 Local Streets	Non-Major funds	Totals June 30, 2004
Revenues	ф. со дид одо	Φ.	Φ.	Ф 7.025.075	Φ 60.502.245
Taxes and special assessments	\$ 60,747,272	\$ -	\$ -	\$ 7,835,075	\$ 68,582,347
Intergovernmental	17,726,534	7,424,581	1,925,861	9,235,135	36,312,111
Charges for services Fines and forfeits	9,544,059	385,684	276,199	6,539,260	16,745,202
Investment income	4,064,161	21.726	-	806,416	4,870,577
	200,273	31,726	6,084	119,299	357,382
Contributions	8,718,450	-	-	25,845	8,744,295
Donations, private sources	157.005	- 552 017	-	22,031	22,031
Miscellaneous	157,895	553,017		574,991	1,285,903
Total revenues	101,158,644	8,395,008	2,208,144	25,158,052	136,919,848
Expenditures Current operating					
General government	51,630,622	-	-	2,790,113	54,420,735
Public safety	32,742,214	-	-	7,402,923	40,145,137
Highways, streets and sanitation	2,035,744	3,713,141	3,467,119		9,216,004
Recreation and culture	6,042,375	-	-	186,639	6,229,014
Other functions	2,559,118	-	-	4,412,262	6,971,380
Capital improvements	-	1,206,701	612,107	10,098,800	11,917,608
Debt service					
Principal	741,205	126,046	-	6,006,983	6,874,234
Interest	93,488	21,373		2,216,415	2,331,276
Total expenditures	95,844,766	5,067,261	4,079,226	33,114,135	138,105,388
Excess (deficiency) of revenues over					
expenditures	5,313,878	3,327,747	(1,871,082)	(7,956,083)	(1,185,540)
Other financing sources (uses)					
Transfers in	2,572,862	-	1,705,267	9,350,315	13,628,444
Transfers out	(7,917,554)	(1,705,267)	-	(6,698,335)	(16,321,156)
Proceeds on sale of capital assets	30,814	-	_	768,683	799,497
Bond proceeds	-	-	-	570,000	570,000
Total other financing sources (uses)	(5,313,878)	(1,705,267)	1,705,267	3,990,663	(1,323,215)
Net change in fund balances	-	1,622,480	(165,815)	(3,965,420)	(2,508,755)
Fund balances, beginning of year	6,931,067	5,068,487	1,837,478	32,536,017	46,373,049
Fund balances, end of year	\$ 6,931,067	\$ 6,690,967	\$ 1,671,663	\$ 28,570,597	\$ 43,864,294

The accompanying notes are an integral part of the financial statements.

# Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities June 30, 2004

Net change in fund balance - total governmentalfunds		\$ (2,508,755)
Governmentalfunds report capital outlay as expenditures. Howeverin the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the net effect of various transactions involving capital assets.		
Land Land improvements Buildings Equipment Infrastructure Infrastructureremoved from service Depreciation expense Construction in progress placed into service	88,000 1,109,545 3,246,603 780,705 3,165,513 (7,084,870) (5,497,637) (1,625,465)	(5,817,606)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.  Change in income tax penalties and interest Change in ambulance fees	24,224 213,755	237,979
Internal service funds are used by managementto charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue of the internal service funds is reported within governmental activities.		417,907
Bond proceeds provide current financial resources to governmentalfunds by issuing debt which increases long-termbonded debt in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmentalfunds, but the repayment reduces long-termbonded debt in the Statement of Net Assets.		
Capital lease proceeds Repaymentof bond principal Repaymentof capital lease Accrued interest	(570,000) 4,495,000 401,983 87,013	4,413,996
Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported on the Statement of Net Assets and have been eliminated from the Statement of Activities.		
Capital lease payments Capital lease advances Loan payments Workers' compensation	1,843,097 250,000 126,046 (69,577)	2,149,566
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in long-termcompensated absences	54,532	54,532
Change in net assets of governmentalactivities		\$ (1,052,381)

The accompanying notes are an integral part of the financial statements.

# Proprietary Fund Financial Statements Major Funds

**Sewage Disposal System Fund** – This fund accounts for the provision of sewage disposal services to the residents of the City.

Municipal Parking System Fund - This fund accounts for the operation of City-owned parking facilities.

# **Non-Major Funds**

Non-major proprietary funds are presented, by fund type, beginning on the pages listed below: Enterprise funds, page 117. Internal Service funds, page 122.

# City of Lansing Statement of Net Assets Proprietary Funds June 30, 2004

	Business-TypeActivities- EnterpriseFunds									
		Major Sewage Disposal System	r Fur	Municipal Parking System		Non-Major Enterprise Funds		Totals June 30, 2004	1	overnmental Activities- Internal rviceFunds
Assets										
Currentassets										
Cash and cash equivalents	\$	23,942,096	\$	10,549	\$	27,419	\$	23,980,064	\$	67,054
Equity in pooled cash		-		7,102,509		1,750,171		8,852,680		2,814,605
Receivables, net of allowances for uncollectibles		1 727 222		105 665		149.066		2.001.052		
Accounts Accruedinterest		1,727,222		125,665 75,920		148,966		2,001,853 78,942		-
Lease receivable, current		3,022		375,255		-		375.255		-
Inventories		286,376		373,233		115,127		401,503		254,624
Restrictedassets		200,070				110,127		.01,000		20 .,02 .
Cash and cash equivalents		37,936,588		10,833,781		_		48,770,369		21,068
Accruedinterestreceivable		5,594		7,268		_		12,862		14
Due from other funds		3,793,677				_		3,793,677		-
Total current assets	_	67,694,575	_	18,530,947		2,041,683	_	88,267,205		3,157,365
Non-currentassets	_	0.,000.,000	_	10,000,711	_	_,,,,,,,,,	_	00,000,000		-,,
Leasereceivable		-		13,198,669		-		13,198,669		-
Bond issue costs		561,402		453,131		-		1,014,533		7,628
Capital assets, net of accumulated depreciation		259,387,645		49,296,265		9,657,446		318,341,356		5,394,881
Total non-currentassets		259,949,047		62,948,065		9,657,446		332,554,558		5,402,509
Total assets	\$	327,643,622	\$	81,479,012	\$	11,699,129	\$	420,821,763	\$	8,559,874
Liabilities										
Currentliabilities										
Accountspayable	\$	277,357	\$	251,677	\$	126,366	\$	655,400	\$	61,118
Depositspayable		-		71,031		-		71,031		-
Accruedinterest payable		467,452				13,528		480,980		-
Accruedpayroll		102,796		44,837		109,845		257,478		18,416
Due to other funds		4,464,574		-		632,814		5,097,388		-
Due to other governments Deferredrevenues		125,089		1 026 996		02.496		125,089		-
Accruedcompensatedabsences, current		364,792		1,026,886 82,200		92,486 273,066		1,119,372 720,058		57,545
Payablefromrestrictedassets						273,000				37,343
Accountspayable		2,738,268		935,343		-		3,673,611		-
Accruedinterestpayable		406,660		160,642		-		567,302		28,979
Due to other funds		1,843,738		1,234,226		-		3,077,964		-
Generalobligationbonds payable, current		4,420,000		880,000		50,000		5,350,000		-
Revenuebonds payable, current Total current liabilities	_	3,665,000	_	4,686,842		1,298,105	_	3,665,000		166 059
Non-currentliabilities	_	18,875,726	_	4,000,042	_	1,296,103	_	24,860,673		166,058
Capital lease payable		_		_		_		_		1,625,000
Loan payable		_		4,179,650		_		4,179,650		-
General obligation bonds payable		75,593,225		59,439,424		943,425		135,976,074		_
Revenuebonds payable 1		51,555,784		-		· -		51,555,784		-
Accruedcompensatedabsences		271,925		53,693		106,616		432,234		49,930
Total non-currentliabilities		127,420,934		63,672,767		1,050,041		192,143,742		1,674,930
Total liabilities	_	146,296,660		68,359,609	_	2,348,146		217,004,415		1,840,988
Net assets										
Investedin capital assets, net of related debt Restrictedfor		123,840,926		6,325,222		8,664,021		138,830,169		3,748,530
Debt retirement		659,932		58,896		-		718,828		_
Unrestricted	_	56,846,104	_	6,735,285	_	686,962	_	64,268,351		2,970,356
Total net assets	\$	181,346,962	\$	13,119,403	\$	9,350,983	\$	203,817,348	\$	6,718,886

 $The \, accompanying notes \, are \, an \, integral part \, of \, the \, financial statements.$ 

City of Lansing Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds For the Year Ended June 30, 2004

	Bı					
	Majo	r Funds	•			
	Sewage	Municipal	Non-Major	Totals	<b>Activities -</b>	
	Disposal	Parking	Enterprise	June 30,	Internal	
	System	System	Funds	2004	Service Funds	
Operating revenues					* * * * * * * * * * * * * * * * * * * *	
Charges for services	\$ 26,529,842	\$ 7,504,144	\$ 5,101,838	\$ 39,135,824	\$ 3,485,081	
Operating expenses						
Personal services	5,971,030	2,164,728	4,739,222	12,874,980	1,164,720	
Purchase of goods and services	6,803,971	1,707,562	3,688,723	12,200,256	972,693	
Depreciation	5,607,978	2,187,047	597,015	8,392,040	905,442	
Total operating expenses	18,382,979	6,059,337	9,024,960	33,467,276	3,042,855	
Operating income (loss)	8,146,863	1,444,807	(3,923,122)	5,668,548	442,226	
Nonoperating revenues (expenses)						
Investment revenue	71,804	158,694	19,357	249,855	1,908	
Gain on sale of capital assets	-	6,210	13,712	19,922	40,730	
Interest expense and paying agent fees	(2,431,358)	(3,137,573)	(55,914)	(5,624,845)	(90,505)	
Amortization of bond issue costs	(49,742)	-	-	(49,742)	(654)	
Miscellaneousincome	33,910	353,641		387,551		
Total nonoperating revenues (expenses)	(2,375,386)	(2,619,028)	(22,845)	(5,017,259)	(48,521)	
Income (loss) before operating transfers	5,771,477	(1,174,221)	(3,945,967)	651,289	393,705	
Transfers and capital contributions						
Capital Contributions	-	-	93,207	93,207	-	
Transfers in	1,038,603	-	2,947,204	3,985,807	24,202	
Transfers out	(300,000)	(1,000,000)	(17,297)	(1,317,297)		
Total	738,603	(1,000,000)	3,023,114	2,761,717	24,202	
Change in net assets	6,510,080	(2,174,221)	(922,853)	3,413,006	417,907	
Total net assets - beginning of fiscal year	174,836,882	15,293,624	10,273,836	200,404,342	6,300,979	
Total net assets - end of fiscal year	\$ 181,346,962	\$ 13,119,403	\$ 9,350,983	\$ 203,817,348	\$ 6,718,886	

The accompanying notes are an integral part of the financial statements.

# City of Lansing Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2004

	Business-Type Activities - Enterprise Funds Major Funds			
		Sewage Disposal System		Municipal Parking System
Cash flows from operating activities Cash received from customers	\$	26,684,375	\$	7,435,945
Cash payments for goods and services	Ψ	(9,581,656)	Ψ	(1,769,536)
Cash payments to employees		(5,916,257)		(2,163,735)
Net cash provided by (used for) operating activities		11,186,462	_	3,502,674
Cash flows from noncapital financing activities		11,100,102		3,302,071
Transfers in		1,038,603		_
Transfers out		(300,000)		(1,000,000)
Net cash provided by (used for) noncapital financing activities		738,603		(1,000,000)
Cash flows from capital and related financing activities		, , , , , , ,	_	(=,===,===)
Proceeds from sale of capital assets		_		6,210
Acquisition and construction of capital assets		(20,330,245)		(15,120,188)
Payments of capital lease and interest		-		-
Principal paid on revenue and general obligation bonds		(7,495,000)		(835,000)
Interest paid on revenue and general obligation bonds		(2,187,601)		(979,223)
Loan proceeds		-		4,179,650
Bond proceeds		44,531,178		19,000,000
Payments received on capital lease				1,000,000
Net cash provided by (used for) capital and related financing activities		14,518,332		7,251,449
Cash flows from investing activities				
Interest and dividends		72,361		152,158
Net increase (decrease) in cash and cash equivalents		26,515,758		9,906,281
Cash and cash equivalents, beginning of year		35,362,926		8,040,558
Cash and cash equivalents, end of year	\$	61,878,684	\$	17,946,839
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	\$	8,146,863	\$	1,444,807
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		-, -,	<u></u>	, ,
Depreciation expense	\$	5,607,978		2,187,047
(Increase) decrease in accounts receivable		154,533		(68,199)
(Increase) decrease in accrued interest receivable		557		-
(Increase) decrease in due from other funds		(201,074)		-
(Increase) decrease in inventory		6,009		-
(Increase) decrease in contract retainage receivable		115,570		-
Increase (decrease) in accounts payable		(237,087)		(79,690)
Increase (decrease) in accrued liabilities		298,530		993
Increase (decrease) in deferred revenue		- (0.505.415)		-
Increase (decrease) in due to other funds		(2,705,417)		17.716
Increase (decrease) in deposit payable				17,716
Total adjustments		3,039,599		2,057,867
Net cash provided by (used for) operating activities	\$	11,186,462	\$	3,502,674

The accompanying notes are an integral part of the financial statements.

	oe Activities - ise Funds	
Non-Major Enterprise Funds	Totals June 30, 2004	Governmental Activities - Internal Service Funds
\$ 5,164,111 (3,945,409) (4,733,371)	\$ 39,284,431 (15,296,601) (12,813,363)	\$ 3,488,058 (1,102,001) (1,162,304)
(3,514,669)	11,174,467	1,223,753
2,921,604 8,303 2,929,907	3,960,207 (1,291,697) 2,668,510	24,202
2,727,701	2,000,310	24,202
13,712 (110,879)	19,922 (35,561,312)	40,730 (1,248,025) (192,288)
(50,000) (55,585) - -	(8,380,000) (3,222,409) 4,179,650 63,531,178	`
(202,752)	1,000,000 21,567,029	(1,399,583)
(202,732)	21,307,029	(1,399,363)
19,357	243,876	1,922
(768,157)	35,653,882	(149,706)
2,545,747	45,949,231	3,052,433
\$ 1,777,590	\$ 81,603,113	\$ 2,902,727
\$ (3,923,122)	\$ 5,668,548	\$ 442,226
597,015 72,179	8,392,040 158,513	905,442 2,977
-	557	_,>
(9,235) (80,523) 8,314 (9,907)	(201,074) (3,226) (397,300) 307,837 (9,907)	(4,730) (118,662) (3,500)
(169,390)	(2,874,807)	-
-	17,716 115,570	-
408,453	5,505,919	781,527
.00,.23	2,202,717	.01,027

\$ (3,514,669) \$ 11,174,467 \$ 1,223,753

# **Fiduciary Fund Financial Statements**

**Pension (and Other Post Employment Benefits) Trust Funds** – Employee Pension Trust funds accept payments made by the City, invest fund resources, and calculate and pay pensions to beneficiaries.

Combining schedules for fiduciary funds are presented, by fund type, beginning on the pages listed below:

Pension (and Other Postemployment Benefits) Trust funds, page 126.

# City of Lansing Statement of Fiduciary Net Assets Fiduciary Funds June 30, 2004

	Pension (and Other Post Employment Benefits) Trust Funds
Assets	Ф 20.775.201
Cash and cash equivalents Investments	\$ 20,775,391
U. S. Government obligations Corporate bonds Common stocks Stock mutual funds Contribution receivable Dividends and interest receivable Accrued interest receivable Due from other funds	112,530,447 31,777,445 210,117,243 73,146,279 335,412 1,389,486 4,077 994,337
Total assets	\$ 451,070,117
Liabilities	
Accounts payable Due to other funds	\$ 289,102 2,432,842
Total liabilities	\$ 2,721,944
Net assets	
Held in trust for pension benefits	\$ 448,348,173

The accompanying notes are an integral part of the financial statements.

# City of Lansing Statement of Changes in Fiduciary Net Assets Fiduciary Funds June 30, 2004

Additions	Pension (and Other Post Employment Benefits) Trust Funds
Contributions	
Employer	\$ 7,025,628
Plan members	6,994,269
Investment income (loss)	39,440,292
Realized/unrealized gain (loss) on investments Interest income	7,533,538
Dividend income	3,524,538
Less investment expense	3,321,330
Investment expenses	1,584,672
Net investment income	48,913,696
Total additions	62,933,593
Deductions	
Benefits paid to plan members & beneficiaries	33,910,969
Administrative expense	23,299
Total deductions	33,934,268
Net increase (decrease)	28,999,325
Net assets held in trust for pension	
benefits, beginning of year	419,348,848
Net assets held in trust for pension	
benefits, end of year	\$ 448,348,173

The accompanying notes are an integral part of the financial statements.

# City of Lansing Index

# **Notes to the Financial Statements**

	Page
NOTE 1 – Summary of Significant Accounting Policies	43
NOTE 2 – Property Taxes	57
NOTE 3 – Deposits and Investments	57
NOTE 4 – Capital Assets	59
NOTE 5 – Debt	62
NOTE 6 – Risk Management	71
NOTE 7 – Reconciliation of Interfund Advances and Due To/From	
NOTE 8 – Interfund Balances	73
NOTE 9 – Retirement Commitments	74
NOTE 10 – Deferred Compensation Plan.	82
NOTE 11 – Contingent Liabilities	82
NOTE 12 – Accumulated Deficits	
NOTE 13 – Statement of Net Assets – Reconciliation of Internal Balances	83

#### **Notes to Financial Statements**

#### 1. Summary of Significant Accounting Policies

The City of Lansing (the "City") was incorporated in 1859. In 1909, the City came under the provisions of Act 279, P.A. 1909, as amended ("Home Rule City Act"). The City operates under a strong Mayor form of government in which the Mayor is responsible for implementation and administration of City policy as established by City Council.

The accounting and reporting policies of the City conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's <u>Codification of Governmental Accounting and Financial Reporting Standards</u> (GASB Codification). Following is a summary of the significant policies:

#### Reporting entity

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The financial data of the component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

- (1) **Blended Component Units:** A blended component unit is a legally separate entity from the City but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City and its financial data is combined with data of the appropriate funds. The City has three blended component units, the Building Authority, the Tax Increment Finance Authority, and the Brownfield Redevelopment Authority, each with a fiscal June 30 year-end. These three component units provide services primarily to benefit the City. The blended units are as follows:
  - (a) **Building Authority (the "Authority"):** The Authority was established by the City under Act 31, Michigan Public Acts of 1948. The Mayor, with the advice and consent of City Council, appoints the Authority's governing body and designates management. The Authority uses the proceeds of its tax-exempt bonds to finance the construction or acquisition of capital assets for the City only. The bonds are secured by lease agreements with the City and will be retired through lease payments from the City. The financial activity, assets, liabilities and equity of the Authority are incorporated within the City's Municipal Parking System and Golf enterprise funds, the 1998 Building Authority Debt Service Fund and the Building Authority Firing Range Capital Projects Fund.
  - (b) **Tax Increment Finance Authority** ("**TIFA**"): The TIFA was established by the City under the authority contained in Act 450, Michigan Public Acts of 1981. The Act authorizes the City to designate specific districts within its corporate limits as TIFA districts. The TIFA presides over such districts, formulating plans for public improvements, economic development, neighborhood revitalization, and historic preservation within the districts. The Act allows the TIFA to participate in a broad range of improvement activities intended to contribute to economic growth and prevent property value deterioration. The TIFA's governing body is appointed by the Mayor with the advice and consent of the City Council. Bond issuances, to fund the above activities, are approved by the City Council and the legal liability for the debt remains with the City. The TIFA is reported as a special revenue fund.

#### **Notes to Financial Statements**

1. Summary of Significant Accounting Policies (continued)

Reporting entity (continued)

- (1) Blended Component Units (continued)
  - (c) **Brownfield Redevelopment Authority:** The Authority was established by the City on August 17, 1997, under the authority contained in Act 381, Michigan Public Acts of 1996 (the Act). The Act authorizes the City to establish and to designate the boundaries of a Brownfield redevelopment zone. The Authority is appointed by City Council to preside over such a zone, and it is authorized to promote the revitalization of environmentally distressed areas within the City of Lansing. The Act allows the Authority to participate in a broad range of improvement activities intended to encourage the reuse of industrial and commercial property by offering economic incentives for redevelopment to prevent property value deterioration. Tax increment financing plans must be approved by the City.

Tax increment financing permits the Authority to capture tax revenues which are attributable to increases in the value of real and personal property located within an approved project area. Current activities of the Authority include collections of property tax revenues on project areas for the Rite Aid Pharmacy and the former Motor Wheel Site Plant. The Brownfield Redevelopment Authority is reported as a special revenue fund and also as an internal service fund.

- (2) **Discretely Presented Component Unit:** Discretely presented component units are entities that are legally separate from the City but for which the City is financially accountable, or their relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The discretely presented unit with a June 30 year-end follows:
  - (a) Lansing Entertainment and Public Facilities Authority ("LEPFA"): LEPFA was established under the charter of the City of Lansing in February 1996, replacing the former Greater Lansing Convention/Exhibition Authority, which had been responsible for operating and managing the Lansing Center and the Lansing Civic Arena (the latter through the fiscal year ended June 30, 1995). The LEPFA was established to oversee the management and operations of the Lansing Center, the City Market and the Oldsmobile Park stadium. It assumed the oversight responsibilities of the City Market and Oldsmobile Park commencing July 1, 1996.

The Authority is chartered as a building authority under the provisions of Act 31, Public Acts of Michigan, 1948. In the event of dissolution or termination of the Authority, all assets and rights of the Authority shall revert to the City. The Authority's Board of Commissioners consists of thirteen members appointed by the Mayor of the City of Lansing and approved by the City Council. The LEPFA is discretely presented on both the basic financial statements and the fiduciary fund statements.

#### **Notes to Financial Statements**

#### 1. Summary of Significant Accounting Policies (continued)

#### Reporting entity (continued)

(3) **Component Unit Financial Statements:** Complete financial statements for each of the individual component units may be obtained from the entity's administrative offices.

Lansing Entertainment and Public Facility Authority 333 East Michigan Avenue Lansing, Michigan 48933

Tax Increment Finance Authority and the Brownfield Redevelopment Authority 316 N. Capital Ave.
Lansing, Michigan 48933

Building Authority 8th Floor 124 West Michigan Avenue Lansing, Michigan 48933

#### Basic Financial Statements - GASB Statement #34

During fiscal year 2002, the City adopted GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as amended by GASB Statement No. 37 and No. 38, and applied those standards as of July 1, 2001. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

**Invested in capital assets, net of related debt** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvements of those assets.

**Restricted net assets** result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

**Unrestricted net assets** consists of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management but can be removed or modified.

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. While the previous financial reporting model emphasized fund types (the total of all funds of a particular type), in the new financial reporting model the focus is on either the City as a whole, or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

#### **Notes to Financial Statements**

#### 1. Summary of Significant Accounting Policies (continued)

#### Reporting entity (continued)

#### Basic Financial Statements – GASB Statement #34 (continued)

The government-wide Statement of Activities reflects both the gross and net costs per functional category (General Government, Public Safety, Recreation and Culture and Community Development), which are otherwise being supported by general government revenues (property, income tax and certain intergovernmental revenues). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function otherwise it is reported as a general revenue. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net cost (by function or activity) is normally covered by the City's general revenues. Historically, the previous financial reporting model did not summarize or present net cost by function or activity.

The City does not currently employ an indirect cost allocation system. An administrative service fee is charged by the General Fund to the other operating funds, that is eliminated like a reimbursement (reducing the revenue and expense in the General Fund), to support General Fund services (finance, personnel, purchasing, legal, technology management, etc.) provided.

This government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The fund financial statements are, in substance, very similar to the financial statements presented in the previous financial reporting model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category) are summarized into a single column.

The governmental funds major and non-major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the City's actual experience conforms to the budget fiscal plan. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. "Available means collectible within the following three months. Major revenue sources that meet the availability criterion are the City's income tax, and the state shared revenues. Property taxes are generally billed and collected within the same period in which the taxes are levied. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that interest on general obligation long-term debt and compensated absences, if any, are recognized when due. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to reconcile the fund based financial statements into the governmental column of the government-wide presentation.

Internal service funds of a government (which traditionally provide services primarily to other funds of the government) are presented, in summary form, as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government-wide level. The costs of these services are allocated to the appropriate functional activity.

#### **Notes to Financial Statements**

#### 1. Summary of Significant Accounting Policies (continued)

#### Reporting entity (continued)

#### **Basic Financial Statements – GASB Statement #34 (continued)**

When appropriate, surplus or deficits in the Internal Service Funds are allocated back to the various users within the entity-wide Statement of Activities.

The activities of the City are categorized as either governmental or business-type in both the government-wide and fund financial statements. The majority of the City's activities are governmental activities and are supported primarily by property taxes, income taxes, charges for services and intergovernmental revenues while business-type activities are supported by fees and charges for services. For the most part, the effect of interfund activity has been eliminated from these statements. However, interfund activity between governmental activities and business-type activities has not been eliminated so as to not distort the direct costs and program revenues of the various functions.

The City's fiduciary funds (which have been redefined and narrowed in scope) are presented in the fund financial statements by type. Since, by definition, these assets are being held for the benefit of a third party (pension participants) and cannot be used to support activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The focus of the GASB Statement No. 34 model is on the City as a whole and the fund financial statements. The focus of the Fund Financial Statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category), and the component units. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

#### **Fund accounting**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Additionally the City reports the following funds:

#### **Major Funds**

The City reports the following major governmental funds:

- (1) The General Fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- (2) The Act 51, Major Streets Fund was created to account for revenue received from the State of Michigan for the City's share of State gasoline and weight taxes, which is restricted for maintenance of the City's major streets.
- (3) The Act 51, Local Streets Fund was created to account for revenues received from the State of Michigan for the City's share of State gasoline and weight taxes, which is restricted for maintenance of the City's local streets.

#### **Notes to Financial Statements**

#### 1. Summary of Significant Accounting Policies (continued)

#### **Fund accounting (continued)**

#### **Major Funds (continued)**

The City reports the following major enterprise funds:

- (4) The Sewage Disposal System Fund accounts for the provision of sewage disposal services to the residents of the City.
- (5) The Municipal Parking System Fund accounts for the operations of the City-owned parking facilities.

#### **Non-Major Funds**

The City reports the following non-major funds:

#### (1) Non-Major Governmental Funds

(a) **Special Revenue Funds:** Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Special Revenue Funds used by the City are as follows:

- Ø **Budget Stabilization Fund:** This fund is used to account for funds set aside under the provisions of Public Act 30 of 1978. Funds set aside are to be determined by the City Council on an annual basis in any year where actual General Fund revenues exceed actual expenditures.
- **Drug Law Enforcement Fund:** This fund accounts for revenues set aside for drug law enforcement under the provisions of State of Michigan Public Act 135 of 1985, as amended.
- Ø **State and Federal Programs Fund**: This fund accounts for all revenues received from miscellaneous grants and local contributions. These revenues are used for projects as detailed in individual grant applications.
- Ø Community Development Block Grant Program Fund: This fund accounts for revenues received from the Department of Housing and Urban Development. These revenues are restricted to accomplishing the various objectives of Community Development Block Grant Programs, within specific target areas.
- Ø **Stadium Fund:** This fund accounts for the City's share of revenues received from events held at Oldsmobile Park, the City's baseball stadium. The revenues are used for stadium expenditures.
- Ø **Principal Shopping District Fund:** This fund accounts for assessments received from businesses located in the district. The revenues are used for special events and maintenance of the district.

#### **Notes to Financial Statements**

1. Summary of Significant Accounting Policies (continued)

Fund accounting (continued)

- (1) Non-Major Governmental Funds (continued)
  - (a) Special Revenue Funds (continued)
    - Ø 911 Communications Center Fund: This fund accounts for the operations of the county-wide 911 communications center. Revenues received are from the County for actual expenditures incurred.
    - Ø Building Department Fund: This fund accounts for revenues and expenditures resulting from the enforcement of the State Construction Code Act of 1999 (PA 245 of 1999).
    - **Parks Department Fund:** This fund accounts for contributions and transfers which are restricted for park expenditures.
  - (b) **Debt Service Funds:** Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest, and related costs (see note 5). Debt Service Funds used by the City are as follows:
    - **20 1990 Special Assessments Fund:** This fund accounts for the accumulation of resources for payment of the 1990 \$800,000 Special Assessment Bonds.
    - **20 1996 Refunding Bonds Fund:** This fund accounts for the accumulation of resources for payment of the 1996 \$10,800,000 Refunding Bonds.
    - **20 1998 Building Authority Fund:** This fund accounts for the accumulation of resources for payment of the 1998 \$2,175,000 Building Authority Bonds.
    - Ø **1999 Fire Station Fund:** This fund accounts for the accumulation of resources for payment of the 1999 \$3,000,000 Unlimited Tax General Obligation Bonds.
    - **2001 Fire Station Fund:** This fund accounts for the accumulation of resources for payment of the 2001 \$4,000,000 Unlimited Tax General Obligation Bonds.

#### **Notes to Financial Statements**

#### 1. Summary of Significant Accounting Policies (continued)

#### Fund accounting (continued)

- (1) Non-Major Governmental Funds (continued)
  - (c) **Capital Projects Funds:** Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

Capital Projects Funds used by the City are as follows:

- **1969 Storm Sewers Fund:** This fund accounts for the proceeds of the 1969 \$3,700,000 Storm Sewer and Drain bonds.
- **1984 Street Improvements Fund:** This fund accounts for the proceeds of the 1984 \$2,200,000 loan from the State of Michigan Department of Transportation.
- **1986 Street Improvements Fund:** This fund accounts for the proceeds of the 1986 \$2,000,000 Michigan Transportation Fund bonds.
- Ø **1987 Street Improvements Fund:** This fund accounts for the proceeds of the 1987 \$22,000,000 Unlimited Tax bonds.
- **1988 Environmental Fund:** This fund accounts for the proceeds of the 1988 \$1,700,000 Environmental Cleanup bonds.
- **20 1990 Environmental I Fund:** This fund accounts for the proceeds of the 1990 \$7,000,000 Environmental bonds.
- **1990 Environmental II Fund:** This fund accounts for the proceeds of the 1990 \$6,300,000 Environmental bonds.
- Ø Combined Sewer Overflow Fund: This fund accounts for the storm sewer portion of the combined sewer overflow bonds.
- **Special Assessments Fund:** This fund is used to account for the financing of public improvements deemed to benefit the properties against which special assessments are levied.
- **1999 Fire Station Fund:** This fund accounts for the proceeds of the 1999 \$3,000,000 Unlimited Tax General Obligation Bonds.
- **2001 Fire Station Fund:** This fund accounts for the proceeds of the 2001 \$4,000,000 Unlimited Tax General Obligation Bonds.
- Miscellaneous Fund: This fund accounts for miscellaneous capital projects.

#### **Notes to Financial Statements**

#### 1. Summary of Significant Accounting Policies (continued)

#### **Fund accounting (continued)**

- (1) Non-Major Governmental Funds (continued)
  - (d) **Permanent Funds:** Permanent funds are used for reporting resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizenry, such as cemetery and parks.
    - Ø Cemetery Perpetual Care Fund: This fund accounts for transfers from the Cemetery Fund, representing 20% of lot sales. These funds are invested, and all investment earnings are transferred to the Cemetery Fund for lot maintenance.
    - Ø Parks Trust Fund: This fund accounts for contributions made for City parks, the principal of which must be preserved in accordance with the trust indentures. Income derived from these contributions is transferred to the Parks Department special revenue fund.

#### (2) Non-Major Proprietary Funds

(a) Enterprise Funds: Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises -- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Non-Major Enterprise Funds used by the City are as follows:

- Ø Cemetery Fund: This fund accounts for the operation of City-owned cemeteries.
- Ø Golf Fund: This fund accounts for the operation of the City-owned golf courses.
- Ø Garbage and Rubbish Collection Fund: This fund accounts for the provision of household solid waste disposal services to participating residents of the City.
- **Recycling Fund:** This fund accounts for the provision of recycling services to participating residents of the City.
- Ø Potter Park Zoo Fund: This fund accounts for the operations of the Potter Park Zoo.

#### **Notes to Financial Statements**

#### 1. Summary of Significant Accounting Policies (continued)

#### **Fund accounting (continued)**

- (3) **Internal Service Funds:** Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis.
  - **Public Service Garage Fund:** This fund is used by the City to account for the costs of operating a maintenance facility for trucks and equipment used by the Public Service Department.
  - **Local Site Remediation Revolving Fund:** This fund accounts for the activities of the Brownfield Redevelopment Authorities site remediation activities.

#### (4) Fiduciary Funds

(a) Trust Funds: Trust Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Pension Trust Funds. Trust Funds are accounted for in essentially the same manner as Proprietary Funds since capital maintenance is critical.

Fiduciary Funds used by the City are as follows:

- Ø Employees' Retirement System Fund: This fund accounts for the accumulation of resources to be used for retirement annuity payments to eligible full-time employees of the City except for police officers and firefighters, who are members of a separate pension plan (see note 10).
- **Police and Fire Retirement System Fund:** This fund accounts for the accumulation of resources to be used for retirement annuity payments to eligible police officers and firefighters who are full-time employees of the City (see note 10).
- Ø Employees' Money Purchase Pension Plan Fund: This fund accounts for the accumulation of resources to be used for retirement distributions for certain City employees (see note 10).

#### **Capital Assets**

Capital assets and certain improvements of governmental fund types are recorded in the Statement of Net Assets at historical cost or, if donated, at the estimated fair market value at the date of acquisition. In some instances, capital asset historical costs were not available; therefore, the costs of these assets at the dates of acquisitions have been estimated.

Infrastructure, such as roads and bridges, was capitalized for the first time in fiscal year 2001-2002. Interest incurred during construction is only capitalized in proprietary funds. Most capital assets are depreciated over their useful lives, using the straight-line depreciation method.

#### **Deferred Revenue**

In the government-wide statements and proprietary fund financial statements deferred revenue is recognized when cash is received prior to being earned. In the governmental fund statements deferred revenue is recognized when revenue is unearned or unavailable.

#### **Notes to Financial Statements**

#### 1. Summary of Significant Accounting Policies (continued)

#### **Revenues and Expenses**

Revenues and expenses of proprietary funds are classified as operating or nonoperating and are subclassified by object (e.g. personal services, depreciation, and investment revenue). Operating revenues and expenses generally result from providing services and producing and delivering goods. All other revenues and expenses are reported as nonoperating.

#### **Long-Term Liabilities**

In the government-wide statements and proprietary fund financial statements, long-term debt and long-term liabilities are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as an other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

#### **Net Assets/ Fund Balance**

The difference between fund assets and liabilities is "Net Assets" on the government-wide, proprietary, and fiduciary fund statements, and "Fund Balance" on governmental fund statements. The fund balances are as follows:

TD - 4 - 1

Sub	sequent Year's		Undesignated	]	Total Unreserved Fund Balances
\$	605,042	\$	5,001,916	\$	5,606,958
	2,093,760		2,544,311		4,638,071
	490,739		1,132,461		1,623,200
	2,137,187		9,552,112		11,689,299
	9,800,669		5,493,193		15,293,862
\$	15,127,397	\$	23,723,993	\$	38,851,390
	Sub \$	2,093,760 490,739 2,137,187 9,800,669	Subsequent Year's Expenditures \$ 605,042 \$ 2,093,760 490,739 2,137,187 9,800,669	Subsequent Year's Expenditures           \$ 605,042         \$ 5,001,916           2,093,760         2,544,311           490,739         1,132,461           2,137,187         9,552,112           9,800,669         5,493,193	Subsequent Year's Expenditures         Undesignated           \$ 605,042         \$ 5,001,916         \$           \$ 2,093,760         2,544,311         \$           490,739         1,132,461         \$           2,137,187         9,552,112         \$           9,800,669         5,493,193         \$

#### Reservations

Fund balances for governmental funds are classified as either reserved or unreserved in the fund financial statements. Reserved fund balances reflect either: 1) funds legally segregated for a specific use or 2) assets which, by their nature, are not available for appropriation for the general purposes of the fund.

#### **Notes to Financial Statements**

#### 1. Summary of Significant Accounting Policies (continued)

#### Capital assets and long-term liabilities

Capital assets, which include land, buildings, equipment and infrastructure assets (e.g., roads, drains, and similar items), are reported in the government-wide statements and applicable fund financial statements. Capital assets that are used for governmental activities are only reported in the government-wide statements. Infrastructure ("public domain") assets, including roads, bridges, sanitary sewers, drains, curbs, and gutters, are capitalized. With this measurement focus, all assets and liabilities (whether current or noncurrent) associated with the operations of these funds are included on the government-wide statement of net assets.

All land and non-depreciable land improvements are capitalized, regardless of cost. Equipment and vehicles are capitalized when the cost of individual items exceed \$5,000. The road and sewer networks are all capitalized regardless of cost. Buildings are capitalized over \$100,000, and the recreational facilities' thresholds range from \$25,000 to \$50,000.

Depreciation of all exhaustible capital assets is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	20-50 years
Improvements	8-50 years
Equipment	3-15 years
Sanitary sewers	50 years
Infrastructure	10-75 years

#### **Basis of accounting**

Expenditures are generally recognized when the related fund liability is incurred.

All proprietary funds and pension trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when earned, and their expenses are recorded at the time liabilities are incurred. As allowed by Governmental Accounting Standards Board ("GASB") Statement No. 20, the City's proprietary funds (excluding internal service funds) follow all GASB pronouncements and Financial Accounting Standards Board Statements and Interpretations, Accounting Principal Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

#### **Budgets and budgetary accounting**

State law requires each local unit to pass a general appropriations act for all funds except trust and agency, internal service, enterprise, and capital projects.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1. On or before the fourth Monday in March, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- 2. A public hearing on the proposed use of funds is held by the Mayor, and a public hearing on the annual appropriations as proposed by the City Council is held no later than one week prior to adoption of the annual appropriation measure.
- 3. Not later than the third Monday in May, the Council adopts a budget for the ensuing fiscal year, makes an appropriation of the money needed therefore, and sets the property tax rate necessary to support the appropriations measure.

#### **Notes to Financial Statements**

#### 1. Summary of Significant Accounting Policies (continued)

#### **Budgets and budgetary accounting (continued)**

- 4. The appropriated budget is prepared by fund, department and the mandatory expenditure accounts as established by the State of Michigan's Uniform Chart of Accounts. The legal level of budgetary control is the mandatory expenditure accounts level. The mandatory accounts are personal services, supplies and operating expense, capital outlay, debt service, transfers and contingency. Transfers of appropriations between the mandatory accounts require the approval of the City Council. However, the Mayor may authorize budget transfers between mandatory accounts in a department, but the additional amount may not exceed fifteen (15%) of the Council's appropriation being added to, or five thousand dollars (\$5,000), whichever is less. Budget-to-actual schedules that demonstrate compliance at the legal level of budgetary control are not included herein as it would be impractical due to the high level of detail that would be needed. Such schedules are included in the City's separately issued Budget Report. Copies of the report may be obtained from the Finance Department, 124 West Michigan Avenue, Lansing, Michigan 48933.
- 5. Funds for which annual operating budgets are formally adopted are the **General Fund; Special Revenue Funds:** Brownfield Redevelopment Authority; Tax Increment Finance Authority; Budget Stabilization; Drug Law Enforcement; State and Federal Programs; Community Development Block Grant Program; Stadium; Principal Shopping District; 911 Communications Center; Building Department; **Debt Service Funds:** 1990 Special Assessments; 1996 Refunding Bonds; 1998 Building Authority; 1999 Fire Station; 2001 Fire Station.
  - Budgetary integration is employed as a management control device during the year for all budgeted funds. Except for the General Fund, these budgets are adopted on a basis consistent with generally accepted accounting principles ("GAAP"). In the General Fund, capital lease payments / installment payments are budgeted, but capital lease acquisitions are not.
- 6. Budgeted amounts are as originally adopted or as legally amended during the year. During the year, several supplementary appropriations were necessary. These amendments were mostly due to bond issues and state and federal grants.
- 7. Appropriations lapse at year-end for all annual budgets. Appropriations are automatically carried forward for project-type budgets.

#### **Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in all funds. Encumbrances outstanding at year-end are reported as reservations of fund balances in the General Fund, and Act 51 Streets Funds. Encumbrances outstanding at year-end for unfulfilled obligations of the current year budget are reappropriated in the succeeding year.

#### **Investments**

Investment income from the City's pooled cash account is allocated on a pro-rata basis to participating funds based on each fund's average daily equity balance within the account. All investments are recorded at fair value except those investments that have an original maturity of less than one year, in accordance with GASB Statement Number 31, "Accounting and Financial Reporting for Certain Investments and for External Investments Pools".

#### **Notes to Financial Statements**

#### 1. Summary of Significant Accounting Policies (continued)

#### **Budgets and budgetary accounting (continued)**

#### **Inventories**

Inventories are valued at cost determined by either the moving weighted average method or the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure or expense at the time individual inventory items are used.

#### Compensated absences

In governmental funds, compensated absences are recorded as expenditures in the year paid. The unpaid liability at June 30, 2004 requiring expendable available financial resources is immaterial.

Unpaid compensated absences applicable to proprietary funds are recorded as a liability in those funds as the vested benefits to the employees accrue.

#### Capitalized interest

The City capitalizes net interest costs in its Sewage Disposal System Fund on bonds issued for capital construction in accordance with Statements of Financial Accounting Standards ("SFAS") Nos. 34 and 62. Total interest expenses for the year ended June 30, 2004, was \$3,754,300 of which \$1,322,942was capitalized.

#### Statement of cash flows

For purposes of the statement of cash flows, cash and cash equivalents consist of cash and all highly liquid investments (including restricted assets) with an original maturity when purchased of three months or less.

#### Reclassifications

Certain prior year balances have been reclassified to conform with the current year presentation.

#### Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### **Joint ventures**

In 1998, the City entered into an agreement with Ingham County to form the City of Lansing and County of Ingham Joint Building Authority for the purpose of constructing and managing a building in downtown Lansing that will house the courts, prosecuting attorney and other related departments. The Authority is governed by a three-member board composed of one member each appointed by the City and County and one appointed jointly by the two units. Both the County and City will contribute cash and/or property to the Authority. Bonds were issued in 1999 by the Authority to provide the additional funding necessary to construct the building. Because the joint venture agreement does not provide an explicit contractual formula outlining the City's claim to the Authority's assets, it is deemed to be a "joint venture with no equity interest." Accordingly, no amounts are reported in the accompanying financial statements for the City's equity in the Authority. Complete financial statements for the joint venture may be obtained from:

City of Lansing and County of Ingham Joint Building Authority Ingham County Financial Services PO Box 319, 121 East Maple Street Mason, MI 48854

#### **Notes to Financial Statements**

#### 2. Property Taxes

Property taxes attach as an enforceable lien on property as of the date they are levied. City, community college, and 50% of school taxes are levied and due July 1 and become delinquent after August 31. County taxes and the balance of school taxes are levied and due December 1 and become delinquent after February 14. In March, taxes on real property still delinquent are purchased by the County's Tax Revolving Funds. Collections of community college, school, and county taxes and remittances are accounted for in the General Fund. City property tax revenues are recognized in the fiscal year for which the taxes are levied to the extent that they result in current receivables (i.e., are collected within 60 days after fiscal year-end).

The City is permitted by charter and state law to levy taxes up to \$19.2635 per \$1,000 of assessed valuation for general operations other than the payment of principal and interest on long-term debt. The tax rate to finance general governmental services other than the payment of principal and interest on long-term debt for the year ended June 30, 2004 was \$14.90 per \$1,000 of taxable value which means the City has a tax margin of \$4.3635 per \$1,000 which amounts to approximately \$9,806,878 of additional revenues per year if levied based on the 2003 taxable valuation of approximately \$2,247,479,770.

#### 3. Deposits and Investments

The City Treasurer maintains a pooled cash account for use by the City's various funds. Equity in pooled cash consists of the following at June 30, 2004:

Cash equivalents	\$ 517,177 33,485,878
Total equity in pooled cash	\$ 34,003,055

In addition to equity in the Treasurer's pooled cash account, a number of funds maintain their own deposit and investment balances. A reconciliation of deposits and investments to the balance sheet for the primary government is as follows:

	€	cash and cash equivalents	Inv	vestments	Total
Equity in pooled cash Cash and cash equivalents, nonrestricted Cash and cash equivalents, restricted Investments, nonrestricted	\$	34,003,055 30,340,330 48,791,437	\$	34,500	\$ 34,003,055 30,340,330 48,791,437 34,500
	\$	113,134,822	\$	34,500	\$ 113,169,322

#### **Deposits**

At year-end, the carrying amount of the City's cash and cash equivalents were \$113,134,822 and the bank deposit balance was \$104,292,038. Of the bank balance, \$930,675 was covered by federal depository insurance. The remainder was uncollateralized and uninsured.

#### **Notes to Financial Statements**

#### 3. Deposits and Investments (continued)

#### **Investments**

State statutes authorize the City to invest its surplus funds in securities of the U. S. government and U. S. government agencies and instrumentalities in which principal and interest is fully guaranteed by the United States, commercial paper rated within the two highest classifications by two standard rating services, U. S. government or federal agency obligation repurchase agreements, bankers' acceptances of United States banks, and in mutual funds composed of vehicles legal for direct investment. During fiscal year 2004, the City maintained all its commercial paper within the highest classification of the two rating services.

The Sewage Disposal System's investments and portions of the Municipal Parking System's and Golf Fund's investments are authorized by statutes governing revenue bonds. Investments are authorized in securities of the U. S. government and U. S. government agencies and instrumentalities.

The City's investment policy for the pension systems reported in the Fiduciary Funds include the authorization to invest in corporate bonds rated at least BAA or better by Moody's or Standard and Poor's, common stock, securities of the U.S. government and U.S. government agencies and instrumentalities, and cash equivalents as authorized by Act 314 of the Michigan Public Acts of 1965, as amended.

The City's investments are categorized to give an indication of the level of credit risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name.

	Category (1)
U. S. governmentand agency securities Corporate bonds Commonstock	\$ 112,530,447 31,811,945 210,117,243
Subtotal	354,459,635
Investment in mutual funds (non-categorized)	 73,146,279
Total investments at fair value	\$ 427,605,914
As Reported on the Statements of Net Assets and Statement of Fiduciary Net Assets	
Governmentalactivities Fiduciary funds	\$ 34,500 427,571,414
Total	\$ 427,605,914

#### **Component Units**

At year-end, the component units, including the Tax Increment Finance Authority - Convention/Exhibition Hall, Brownfield Redevelopment Authority, and Lansing Entertainment and Public Facilities Authority, had a total deposit and investment balance of \$5,381,088. Of the total deposits and investments balance, \$506,883 is for non-restricted cash and cash equivalents, \$397,273 in restricted cash and cash equivalents, and \$4,476,932 in non-restricted investments. The carrying amount of deposits was \$904,156 and the bank deposit balance was \$1,135,072. Of the bank balance, \$200,000 was covered by federal depository insurance. The investments for the component units in the amount of \$4,476,932 are in pooled government funds and not categorized. The fair value of the investments approximates cost.

# City of Lansing Notes to Financial Statements

# 4. Capital Assets

A summary of changes in Governmental Activities capital assets follows:

	Jı	Balance	Additions	Deletions		Balance June 30, 2004
Primary government		• ,				
Capital assets, not being depreciated						
Land	\$	24,435,371	\$ 88,000	\$ -	\$	24,523,371
Construction in progress		5,658,809	 3,885,705	 5,511,169		4,033,345
Total capital assets, not being depreciated		30,094,180	 3,973,705	5,511,169		28,556,716
Capital assets, being depreciated						
Land improvements		6,847,138	1,109,545	-		7,956,683
Equipment and vehicles		20,971,949	1,248,157	279,450		21,940,656
Buildings		81,003,385	3,246,603	-		84,249,988
Infrastructure		324,617,012	3,165,513	 7,084,870		320,697,655
Total capital assets, being depreciated		433,439,484	 8,769,818	 7,364,320		434,844,982
Less accumulated depreciation for						
Land improvements		3,131,592	370,096	-		3,501,688
Equipment and vehicles		16,845,133	1,499,958	279,450		18,065,641
Buildings		34,151,733	2,174,045	-		36,325,778
Infrastructure		181,048,448	 8,817,858	 7,084,870	_	182,781,436
Total accumulated depreciation		235,176,906	 12,861,957	 7,364,320		240,674,543
Total capital assets, being depreciated, net		198,262,578	(4,092,139)			194,170,439
Primary government capital assets, net	\$	228,356,758	\$ (118,434)	\$ 5,511,169	\$	222,727,155

# City of Lansing Notes to Financial Statements

# 4. Capital Assets (continued)

	į	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Internal Service Funds					
Capital assets, not being depreciated					
Land	\$	55,297	\$ -	\$ 	\$ 55,297
Total capital assets, not being depreciated	_	55,297	 	 	55,297
Capital assets, being depreciated					
Equipment and vehicles		11,529,668	1,248,025	713,150	12,064,543
Buildings		2,954,412	 <u>-</u>	 <u>-</u>	 2,954,412
Total capital assets, being depreciated		14,484,080	 1,248,025	713,150	 15,018,955
Less accumulated depreciation for					
Equipment and vehicles		9,064,067	845,494	713,150	9,196,411
Buildings		423,012	 59,948	 	 482,960
Total accumulateddepreciation		9,487,079	905,442	 713,150	9,679,371
Total capital assets, being depreciated, net		4,997,001	342,583	<u>-</u>	 5,339,584
Internal Service Funds capital assets, net	\$	5,052,298	\$ 342,583	\$ 	\$ 5,394,881
Governmentalfunds capital assets, net	\$	233,409,056	\$ 224,149	\$ 5,511,169	\$ 228,122,036

# Depreciation expense was charged to the governmental functions as follows:

	G	Governmental Assets Internal Service Assets		Total	
Governmental activities:					
General government		329,169	\$	905,442	\$ 1,234,611
Public safety		1,208,418		-	1,208,418
Public works		8,846,978		-	8,846,978
Recreation and culture		1,196,277		-	1,196,277
Community development		1,281,115			1,281,115
	\$	12,861,957	\$	905,442	\$ 13,767,399

# **Notes to Financial Statements**

### 4. Capital Assets (continued)

A summary of changes in Business Type Activities capital assets follows:

	Balance July 1, 2003	Additions	Deletions		Balance June 30, 2004
Business type activities					
Capital assets, not being depreciated					
Land	\$ 22,581,816	\$ -	\$ -	\$	22,581,816
Construction in progress	 53,605,960	 35,698,962	 34,805		89,270,117
Total capital assets, not being depreciated	 76,187,776	 35,698,962	 34,805		111,851,933
Capital assets, being depreciated					
Land improvements	22,468,516	14,971	-		22,483,487
Equipment and vehicles	5,325,514	226,702	112,482		5,439,734
Buildings	166,841,448	1,423,598	-		168,265,046
Sewers	 129,860,728	 			129,860,728
Total capital assets, being depreciated	 324,496,206	 1,665,271	 112,482		326,048,995
Less accumulated depreciation for					
Land improvements	8,234,180	592,520	-		8,826,700
Equipment and vehicles	3,762,142	420,151	112,482		4,069,811
Buildings	71,993,624	4,541,932	-		76,535,556
Sewers	 27,290,071	 2,837,435			30,127,506
Total accumulated depreciation	 111,280,017	 8,392,038	112,482		119,559,573
Total capital assets, being depreciated, net	 213,216,189	(6,726,767)		_	206,489,422
Primary government capital assets, net	\$ 289,403,965	\$ 28,972,195	\$ 34,805	\$	318,341,355

Construction in progress of proprietary fund types is comprised of the following:

	aı	Project uthorization*	Expended to June 30, 2004		
Sewage Disposal System, sewer and plant improvements Potter Park Zoo, miscellaneous Golf, land improvements Municipal Parking System, land	\$	97,766,505 7,000 321,570 22,884,650	\$ 73,917,518 3,592 125,616 14,432,708		
	\$	120,979,725	\$ 88,479,434		

 $<sup>*</sup>Does\ not\ include\ capitalized\ interest.$ 

### **Notes to Financial Statements**

#### 5. Debt

#### **Short-term debt**

The following is a schedule of short-term debt used to finance current projects as of June 30, 2004, for all short-term activity during the year (in thousands of dollars):

	Balance July 1, 2003		Ad	lditions	Del	etions	Balance June 30, 2004		
Short-term note payable for the finance of the City fire truck with Delhi Township, MI	\$		\$	300	\$	-	\$	300	
Total short-term debt	\$		\$	300	\$		\$	300	

#### Long-term debt

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2004 (in thousands of dollars):

		General obligations bonds		Special assessment debt with government commitment	Loans	Lease purchases	Ć	Accrued compensated absences
Payable at July 1, 2003 Increase in accrued workers	\$	29,553	\$	65	\$ 534	\$ 9,319	\$	10,650
compensation		-		-	-	-		-
2004 debt issues		=		-	=	784		-
Debt retired		(4,475)		(20)	(126)	(1,869)		-
Increase in accrued compensated absences		-		-	-	-		7,308
(Decrease) in accrued compensated absences	_		_				_	(7,362)
Payable at June 30, 2004		25,078	_	45	 408	 8,234		10,596
Less current portion		4,840	_	10	 131	 1,779		7,583
Long-termpayable at June 30, 2004	\$	20,238	\$	35	\$ 277	\$ 6,455	\$	3,013

						<b>Internal</b> sei	rvice			Total general	
		Accrued workers' compen- sation		Accrued general liability claims		Accrued compensated absences		Capital leases		long-term debt governmental activities	
Payable at July 1, 2003	\$	3,479	\$	400	\$	104	\$	1,725	\$	55,829	
Increase in accrued workers		70								70	
compensation 2004 debt issues		70		-		-		-		70 784	
Debt retired		_		-		_		(100)		(6,590)	
Increase in accrued compensated absences		_		_		59		(100)		7,367	
(Decrease) in accrued compensated absences	_				_	(56)				(7,418)	
Payable at June 30, 2004	_	3,549	_	400		107		1,625		50,042	
Less current portion		1,442			_	58		100		15,943	
Long-termpayable at June 30, 2004	\$	2,107	\$	400	\$	49	\$	1,525	\$	34,099	

# City of Lansing Notes to Financial Statements

				Component Unit						
		General obligations bonds		Revenue bonds	Loans			Accrued compensated absences	Lansing entertainment and public Facilities Authority	
Payable at July 1, 2003	\$	129,297	\$	29,230	\$	_	\$	1,039	\$	169
2004 debt issues		33,671		39,880		4,180		-		50
Debt retired		(4,665)		(13,735)		-		-		(57)
Increase in accrued compensated absences		-		-		-		837		-
(Decrease) in accrued compensated absences								(724)		-
		158,303		55,375		4,180		1,152		162
Less unamortized discount/premium		(15,211)		921		-		-		-
Less deferred loss on										
extinguishment of debt		(1,766)		(1,075)			_			
Payable at June 30, 2004		141,326		55,221	_	4,180		1,152	_	162
Less current portion		5,350		3,665				720	_	49
Long-term payable at June 30, 2004	\$	135,976	\$	51,556	\$	4,180	\$	432	\$	113

# **Notes to Financial Statements**

# 5. Debt (continued)

Long-term debt payable for the Primary Government at June 30, 2004 is comprised of the following:

	ar (in th	incipal nount lousands) dollars)
General obligation bonds \$4,000,000 - 2001 Unlimited Tax bonds, due in annual installments of \$135,000 to \$300,000 through May 1, 2019; interest rates ranging from 4.0% to 5.0% (this issue is being serviced - principal and interest - by the 2001 Fire Station Debt Service Fund) \$7,225,000-1992 Limited Tax bond, due in annual installments of \$355,000 to \$425,000 through October 1, 2013; interest at the rate of 2% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal System Fund) \$9,370,000-1993 Limited Tax bond, due in annual installments of \$385,000 to \$470,000 through October 1, 2014; interest at the rate of 2% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal System Fund) \$3,725,000-1994 Limited Tax bond, due in annual installments of \$150,000 to \$185,000 through October 1, 2015; interest at the rate of 2% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal System Fund) \$4,170,000-1994 Limited Tax bond, due in annual installments of \$116,930 to \$230,000 through October 1, 2015; interest at the rate of 2% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal System Fund) \$575,000-1994 Limited Tax bond, due in annual installments of \$30,000 to \$35,000 through April 1, 2013; interest at the rate of 2.25% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal System Fund) \$8,430,000-1995 Limited Tax bond, due in annual installments of \$315,000 to \$465,000 through April 1, 2015; interest at the rate of 2.25% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal System Fund) \$3,475,000-1996 Limited Tax bond, due in annual installments of \$315,000 to \$200,077 through April 1, 2017; interest at the rate of 2.25% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal Fund) \$3,995,000-1996 Limited Tax bond, due in annual installments of \$155,000 to \$245,000 through Oct	(in th	ousands)
from 2.25% to 5.00% per annum (this issue is being serviced - principal and interest - by the Municipal Parking System Fund. \$8,660,000-2003 Building Authority "B" taxable bonds, due in annual		10,340
installments of \$200,000 to \$640,000 through June 1, 2029; interest at rates ranging from 2.90% to 6.25% per annum (this issue is being serviced - principal and		
interest - by the Municipal Parking System Fund.		8,660

# City of Lansing Notes to Financial Statements

	a (in tl	rincipal mount housands) dollars)
General obligation bonds (continued) \$10,800,000-1996 Unlimited Tax Refunding bonds, due in annual installments of \$1,210,000 to \$1,470,000; interest at rates ranging from 4.6% to 6.0% (this issue is being serviced - principal and interest - by the 1996 Refunding Bonds Debt Service		
Fund) \$5,090,000-1998 Limited Tax bond, due in annual installments of \$86,985 to	\$	6,690
\$300,000 through October 1, 2017; interest at the rate of 2.25% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal Fund) \$11,255,000-1998 Limited Tax bond, due in annual installments of \$273,019 to		3,497
\$660,000 through October 1, 2018; interest at the rate of 2.25% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal Fund) \$2,175,000-1998 Limited Tax bond - Building Authority, due in annual installments of \$90,000 to \$160,000; through June 1, 2018; interest at rates ranging from 4.5%		8,303
to 5.0% (this issue is being serviced - principal and interest - by the Building Authority Debt Service Fund) \$3,000,000-1999 Unlimited Tax Bond, due in annual installments of \$145,000 to		1,775
\$200,000 through May 1, 2019; interest at rates ranging from 5.0% to 5.7% (this issue is being serviced - principal and interest - by the 1999 Fire Station Debt Service Fund) \$10,120,000-1999 Limited Tax bond, due in annual installments of \$86,225 to		2,685
\$605,000 through April 1, 2018; interest at the rate of 2.5% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal Fund) \$9,805,000-2000 Limited Tax bond, due in annual installments of \$415,000 to		7,311
\$570,000 through April 1, 2008; interest at the rate of 2.5% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal Fund) \$10,860,000 - 2001 Limited Tax Bond, due in annual installments of \$341,095 to		7,369
\$665,000 through April 1, 2015; interest at the rate of 2.5% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal Fund) \$13,645,000 - 2002 Limited Tax bond, due in annual installments of \$530,000 to		9,661
\$795,000 through April 1, 2006; interest at the rate of 2.5% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal Fund) \$800,000 - 1986 Limited Tax Bond, due in annual installments of \$65,000 to \$70,000 through June 1, 2006; interest at a rate of 6.75%		11,678
per annum (this issue is being serviced - principal and interest - by the Municipal Parking System Fund) \$10,350,000 - 2003 Limited Tax Bond, due in annual installments of \$405,000 to		135
\$575,000 through October 1, 2021, interest at a rate of 2.5% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal Fund) \$4,670,000 - 2004 Limited Tax Bond, due in annual installments of \$176,711 to		7,826
\$195,000 through October 1, 2009, interest at a rate of 2.125% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal Fund) \$9,605,000 - 2004 Limited Tax Bond, due in annual installments of \$271,515 to		565
\$390,000 through October 1, 2008, interest at a rate of 2.125% per annum (this issue is being serviced - principal and interest - by the Sewage Disposal Fund)		661

# City of Lansing Notes to Financial Statements

	Principal amount (in thousands) of dollars)
General obligation bonds (continued) \$64,635,000-1990 Limited Tax bonds, due in annual installments of \$4,140,000 to \$4,145,000 beginning June 1, 2006 through June 1, 2015; interest at rates ranging from 7.30% to 7.45% (this issue is being serviced - principal and interest - by the Municipal Parking System Fund) \$25,100,000-1995 Limited Tax bonds, due in annual installments of \$715,000 to \$1,595,000 through June 1, 2019; interest at rates ranging from 5.20% to 5.80% (this issue is being serviced - principal and interest - by the Municipal Parking System Fund) \$1,300,000-1996 Limited Tax bonds, due in annual installments of \$50,000 to \$105,000 through October 1, 2016; interest at rates ranging from 4.80% to 5.70%	\$ 41,410 16,745
(this issue is being serviced - principal and interest - by the Golf Fund) \$25,108,133 - 1994 Limited Tax increment bonds, due in annual installments of \$42,828 to \$3,260,000 through May 1, 2020; interest at the average rate of 6.55% per annum (this issue is being serviced - principal and interest - by the Tax Increment Finance Authority)	1,000
Subtotal	183,381
Less Unamortized discount Deferred loss on extinguishment of debt	(15,211) (1,766)
Total general obligation bonds	\$ 166,404
Revenue bonds \$20,845,000-1994 Sewage Disposal System bonds, due in annual installments of \$430,000 to \$470,000 through May 1, 2006; interest at rates ranging from 5.30% to 5.40% (this issue is being serviced - principal and interest - by the Sewage Disposal System Fund and is secured by the revenues of the system) \$26,415,000-1998 Sewage Disposal System bonds, due in annual installments of \$875,000 to \$3,240,000 through May 1, 2014; interest at rates ranging from 4.00% to 5.0% (this issue is being serviced - principal and interest - by the Sewage Disposal System Fund) \$39,880,000-2003 Sewage Disposal System bonds, due in annual installments of \$575,000 to \$2,365,000 through May 1, 2028; interest at rates ranging from 2.00% to 5.0% (this issue is being serviced - principal and interest - by the Sewage	900 14,685
Disposal System Fund )	39,790
Subtotal Less	55,375
Unamortized discount Deferred loss on extinguishment of debt	921 (1,075)
Total long-term revenue bonds	\$ 55,221

	an (in th	rincipal mount nousands) dollars)
Special assessment debt with government commitment \$800,000-1990 Limited Tax Special Assessment bonds, due in annual installments of \$10,000 to \$15,000 through October 1, 2007; interest at a rate of 5.0% (this issue is being serviced - principal and interest - by the Special Assessments Debt Service Fund)	\$	45
Lease purchase agreements \$609,084-1998 Lease Purchase Agreement for Radios in annual installments of \$102,612 through June 2005; interest at 4.81% (this issue is being serviced-principal and interest - by the General Fund) \$11,000,000-1999 Lease Agreement for Baseball Stadium, due in annual installments of \$860,000 to \$1,170,000 through June 1, 2010; interest at the rate of	\$	98
5.969% per annum (this issue is being serviced - principal and interest - by the Stadium Fund) \$209,873-2004 Lease Purchase Agreement for Computer System and software in monthly installments of \$6,267 through January 2007;		6,000
interest at 5.545% (this issue is being serviced - principal and interest - by the General Fund) \$1,500,000 - 2002 Lease Purchase Agreement for computer software, due in annual installments of \$290,000 to \$320,000 through August 1, 2007; interest at a rate of		193
3.20% per annum (this issue is being serviced - principal and interest - by the General Fund)		1,220
\$1,925,000 - 2001 Lease Purchase for O&M Facility, due in annual installments of \$105,000 to \$155,000 through March 1, 2016; interest at the rate of 5.350% (this issue is being serviced - principal and interest - by the Public Service Garage Fund) \$999,987-1999 Lease Purchase Agreement for Computer Software applications		1,625
in monthly installments of \$19,560 through February 2005; interest at 6.59% (this issue is being serviced - principal and interest - by the General Fund) \$570,000 - 2004 Lease Purchase for Roofs and Fire Suppression, due in semi-annual installments of \$39,964 through March 1, 2012; interest at the rate of 2.7705% (this		153
issue is being serviced - principal and interest - by the General Fund)		570
Total lease purchase agreements	\$	9,859
Loans \$649,843 - 2001 Michigan Department of Transportation Loan, due in minimum annual installments of \$147,419 through July 1, 2006; interest at 4.00% (this issue is being serviced - principal and interest - by the Act 51 Major Streets Fund) \$4,179,650 - 2003 Michigan Economic Development Corporation Loan, due in annual installments of \$239,472 beginning June 30, 2007 through June 30, 2036, interest rate 4%. (this issue is being serviced - principal and interest - by the Municipal Parking System Fund)		408 4,180
Total loans	\$	4,588

# City of Lansing Notes to Financial Statements

	(in t	rincipal amount chousands) dollars)
Accrued compensated absences Liquidation of accrued compensated absences have been reserved to all the enterprise funds, the internal service fund, and the general fund.	\$	11,855
Accrued workers' compensation liability	\$	3,549
Accrued general liability claims	\$	400
Component unit lease purchase agreements at June 30, 2004 are comprised of the following \$51,354-2000 Lease Agreement for a security system in annual installments of \$5,135 plus interest through January 2010; interest at 5.907% (this issue is being serviced - principal and interest - by the Lansing Entertainment and Public Facility Authority) \$110,000-2000 Lease Agreement for computer equipment in quarterly installments of \$5,500 plus interest through January 2005; interest at 5.66% (this issue is being serviced - principal and interest - by the Lansing Entertainment and Public Facility Authority) \$10,500-2002 Lease Agreement for fencing in quarterly installments ranging from \$198 to \$337 plus interest through July 2012; interest at a rate of 5.5% (this issue is being serviced - pricipal and interest - by the Lansing Entertainment and Public Facility Authority) \$119,012 - 2002 Lease Agreement for computer equipment and other property in quarterly installments ranging from \$1,922 to \$6,679 plus interest through October 2011; interest ranging from 4.55% to 5.62% (this issue is being serviced - principal and interest - by the Lansing Entertainment and Public Facility Authority) \$28,228-2004 Lease Agreement for computer equipment and software in quarterly installments of \$2,496.55 through July 1, 2006; interest at 4.0% (this issue is being serviced - principal and interest - by the Lansing Entertainment and Public Facility Authority) \$22,259-2004 Lease Agreement for HVAC equipment in quarterly installments of \$704.59 through April 21, 2014; interest at 4.9% (this issue is being serviced - principal and interest - by the Lansing Entertainment and Public Facility Authority)	Ţ:	30 17 9 64 20
Authority)		22
Total component unit lease purchase agreements	\$	162

# **Notes to Financial Statements**

#### 5. Debt (continued)

The annual requirements to service all long-term debt outstanding as of June 30, 2004, including interest of \$98,639,282, component unit general obligation bonds including interest of \$25,232,247, and component unit capital leases including interest of \$26,861, are as follows:

							_	C	omponentUnit	_	
	GovernmentalActivities-Principal							Lansing Entertainment			
Special Special assessment Year General debt with ending obligation government June 30, bonds commitment		<u>cuvi</u>	Lease purchases Loans			and Public Facilities Authority Capital Leases		Total			
2005		4,840,000	10,000		1,958,850		131,088		49,739		6,989,677
2006		1,655,000	10,000		1,457,682		136,331		26,950		3,285,963
2007		1,777,828	15,000		1,496,415		140,864		18,329		3,448,436
2008		1,915,536	10,000		1,535,137		_		14,312		3,474,985
2009		2,053,338	-		1,282,094		-		14,832		3,350,264
2010-14		4,092,703	-		1,823,574		-		38,134		5,954,411
2015-19		7,827,667	-		305,000		-		-		8,132,667
2020-24		916,061			<u> </u>		<u>-</u>	_			916,061
	\$	25,078,133	\$ 45,000	\$	9,858,752	\$	408,283	\$	162,296	\$	35,552,464

Governmental Activities-Interest					Component Unit Lansing Entertainment						
Year General ending obligation June 30, bonds		Special assessment debt with government commitment		Lease purchases		Loans		and Public Facilities Authority Capital Leases		Total	
2005		942,200	2,000		507,810		16,331		7,451		1,475,792
2006		664,460	1,500		412,651		11,088		5,540		1,095,239
2007		639,602	875		338,706		5,635		4,283		989,101
2008		608,599	250		262,764		_		3,416		875,029
2009		597,627	-		187,799		-		2,591		788,017
2010-14		3,633,747	-		264,667		-		3,580		3,901,994
2015-19		18,287,833	-		24,610		-		_		18,312,443
2020-24		4,458,939					-	_			4,458,939
	\$	29,833,007	\$ 4,625	\$	1,999,007	\$	33,054	\$	26,861	\$	31,896,554

### **Notes to Financial Statements**

#### 5. Debt (continued)

#### **Business-Type Activities-Principal**

Year ending June 30,	General obligation bonds	General Revenue bonds	Loans	Total
2005	5,353,000	3,665,000	-	9,018,000
2006	10,305,000	3,805,000	-	14,110,000
2007	11,065,000	3,950,000	239,472	15,254,472
2008	11,156,515	2,830,000	71,224	14,057,739
2009	11,051,711	2,840,000	74,265	13,965,976
2010-14	56,945,968	15,185,000	421,690	72,552,658
2015-19	36,706,023	8,250,000	519,746	45,475,769
2020-24	9,580,008	8,250,000	640,603	18,470,611
2025-29	6,140,000	6,600,000	789,563	13,529,563
2030-34	-	-	973,162	973,162
2035-36			449,924	449,924
	\$ 158,303,225	\$ 55,375,000	\$ 4,179,649	\$ 217,857,874

### **Business-Type Activities-Interest**

Year ending June 30,	General obligation bonds	General Revenue bonds	Loans	Total
2005	3,818,297	2,439,962	-	6,258,259
2006	3,672,714	2,298,753	-	5,971,467
2007	3,496,541	2,152,990	-	5,649,531
2008	3,307,601	2,002,400	168,248	5,478,249
2009	3,114,147	1,900,000	165,206	5,179,353
2010-14	12,442,193	7,594,120	775,668	20,811,981
2015-19	6,784,458	4,580,400	677,612	12,042,470
2020-24	2,703,236	2,673,000	556,754	5,932,990
2025-29	1,064,088	767,250	407,794	2,239,132
2030-34	-	-	224,196	224,196
2035-36	_		29,019	29,019
	\$40,403,275	\$26,408,875	\$ 3,004,497	\$69,816,647

At June 30, 2004, \$12,852 is available in the Debt Service Funds to service the general obligation bonds.

Capital leases of the City have a value of 1,709,873 under the equipment category, and 31,495,000 under buildings.

Operating leases were entered into for a 1998 purchase of Fire Department radios, and 1999 modifications to computer software.

#### **Notes to Financial Statements**

#### 5. Debt (continued)

The following is a schedule of the present value of the net minimum lease payments as of June 30, 2004, for all lease purchase agreements outstanding (in thousands of dollars):

Total minimum lease payments Less amount representing interest	\$ 8,982 (1,328)
Present value of net minimum lease payments	\$ 7,654

The special assessment debt with government commitment is backed by the full faith and credit of the City. Current debt service requirements are funded through special assessments levied against properties deemed to be benefited by these public improvements.

There are a number of limitations and restrictions contained in the various revenue bond indentures. The City is in substantial compliance with all significant limitations and restrictions.

In prior years, the City defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on such bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2004, \$6,855,000 of bonds outstanding are considered defeased. Defeased bonds outstanding for the component unit Tax Increment Finance Authority Convention/ Exhibition Hall at June 30, 2004 were \$3,890,000.

#### 6. Risk Management

The City of Lansing is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries.

The City carries commercial insurance for claims relating to general liability, property, electronic data processing, boiler and machinery, police professional and errors and omissions. The City has not experienced settlements in excess of insurance coverage during the past three years.

The City is uninsured for acts of nature and environmental clean-up costs.

The City is self-insured for workers' compensation costs. The City estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including those claims that have been reported as well as those that have not yet been reported to the City. The current liability is accounted for in the General Fund, with long term liabilities accounted for in the Statement of Net Assets. The City has excess liability insurance coverage up to a maximum amount of \$2,000,000 per claim with a \$750,000 deductible. Changes in the estimated long-term liability as well as the total estimated cost of claims for the past two fiscal years were as follows:

	Fiscal Year Ended June 30,		
	2004	2003	
Estimated liability, beginning of year Estimated claims incurred, including changes in estimates Claims payments	\$ 3,478,831 1,482,844 (1,413,267)	\$ 3,410,619 1,137,825 (1,069,613)	
Estimated liability, end of year	\$ 3,548,408	\$ 3,478,831	

# **City of Lansing Notes to Financial Statements**

#### 7. Reconciliation of Interfund Advances and Due To/From

Interfund receivables and payables are recorded for borrowings to eliminate negative balances in the common cash pool and for non-pooled funds to participate in the City's cash disbursement process.

Interfund advances and due to/from balances at June 30, 2004 were:

Due From	General Fund	Act 51 Major	Non-major Governmenta Funds	Sewage Disposal Fund	Pension Trust Funds	Total
und	\$ -	\$ -	\$ 6,661,774	\$ -	\$ 994,337	\$ 7,656,111
orGovernmentalFunds	882,639	2,802,356	817,927	_	-	4,502,922
isposalFund	2,514,635	-	-	3,793,677	-	6,308,312

## **Notes to Financial Statements**

#### 8. Interfund Balances

Transfers are used to 1) move revenues from the fund that is required to collect them to the fund that is required to expend them, 2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, 3) transfer budgetary surpluses from the General Fund to the Budget Stabilization Fund or from the Budget Stabilization Fund to other funds when necessary, and 4) transfer accumulated surpluses from other funds to the General Fund when authorized by statute.

Interfund transfers between the funds within the Primary Government recorded in the accompanying financial statements for the year ended June 30, 2004 were:

Transferred From	General Fund	Local Streets Fund	Internal Service Funds	Non-major Governmental Funds	Sewage Disposal Fund	Non-major Enterprise Funds	Total
General Fund Major Streets Fund Non-major Governmental Funds Sewage Disposal Fund Municipal Parking System Fund Non-major Enterprise Funds	\$ - 2,272,862 300,000	\$ - 1,705,267 - - - -	24,202	\$ 3,941,717 4,391,301 1,000,000 17,297	\$ 1,038,603	\$ 2,937,234 - 9,970 - -	\$ 7,917,554 1,705,267 6,698,335 300,000 1,000,000 17,297
Total	\$ 2,572,862	\$ 1,705,267	\$ 24,202	\$ 9,350,315	\$ 1,038,603	\$ 2,947,204	\$ 17,638,453

#### **Notes to Financial Statements**

#### 9. Retirement Commitments

#### **Employees' Retirement System**

The City sponsors and administers the Employees' Retirement System (the Plan), a single-employer, defined-benefit pension plan. It is accounted for as a separate pension trust fund. No stand-alone financial reports are issued. It covers general full-time employees of the City of Lansing and employees of the 54-A District Court. It does not include approximately half of general employees hired subsequent to September 30, 1990, who are members of the Employees' Money Purchase Pension Plan, nor does it include police officers and firefighters, who are members of a separate City pension plan. The payroll for employees covered by the plan for the year ended December 31, 2003, was \$30,579,238; the City's total payroll was \$65,619,390. Administration of the plan is funded through the General Fund.

As of December 31, 2003, employee membership data, adjusted for members transferring to the Employees' Money Purchase Pension Plan, were as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	753
Active members Active members vested Active members nonvested	304 354
Total active members	658

Approximately 25% of the active membership may retire with a combination of age plus service equal to 65. All other members may retire at age 50 with 25 or more years of credited service or age 58 with 8 or more years of credited service. Members are vested after completing 8 years of credited service. For all members, annual regular retirement allowances are determined by multiplying total credited service times 2.25% to 2.80% times final average compensation. Final average compensation is the member's highest wages for two consecutive years during the last 10 years. Retirement options that provide for survivor benefits are available to members. The plan also provides death and disability benefits. If a member leaves employment or dies before vesting, accumulated member contributions plus interest are refunded to the member or designated beneficiary. Members who are vested and terminate their employment have the option of deferring retirement benefits until age 58 or withdrawing their contribution, thereby forfeiting any future benefits.

Active members contribute between 1.7% and 7.25% of wages as determined by individual labor agreements. Chapter 292 of the City of Lansing's Code of Ordinances establishes benefit provisions and requires that the annuity and pension reserves (which are determined annually by the City's actuary) not financed by member contributions shall be financed by annual appropriations.

The City's funding policy provides for periodic employer contributions at actuarially determined rates that expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the year ended June 30, 2004, was determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities are being amortized as a level percent of payroll over an open period of 30 years.

Contributions are recognized when due pursuant to formal commitments, as well as statutory or contractual requirements. The fund is accounted for in essentially the same manner as the Proprietary Funds and uses the full accrual method of accounting.

#### **Notes to Financial Statements**

#### 9. Retirement Commitments (continued)

#### **Employees' retirement system (continued)**

Plan valuation assets are equal to the reported market value of assets except that only 20% of the difference between the mark-to-market rate of return and the 8% actuarial rate of return is recognized each year. This five year smoothing method reduces the fluctuation in the City's computed contribution rate which might otherwise be caused by market value fluctuations. The entry-age actuarial cost method is used to determine plan liabilities. Significant actuarial assumptions used in determining the entry-age actuarial accrued liability include (a) a rate of return on investments of 8% per year compounded annually (b) projected salary increases of 4% attributable to inflation and 0% to 4% per year depending on age attributable to seniority/merit (c) assumption that benefits generally will increase \$200 annually after age 60.

During the year ended June 30, 2004, contributions of \$3,566,759 were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of December 31, 2003. The contribution consisted of (a) \$2,683,861 normal cost (13.34% of projected valuation payroll) and (b) \$1,391,615 amortization of the unfunded actuarial accrued liability (6.92% of projected valuation payroll). The City contributed \$3,566,759 (17.73% of projected valuation payroll), excluding contributions for health insurance; employees contributed \$508,717 (2.53% of projected valuation payroll).

At December 31, 2003, the unfunded actuarial accrued liability was \$30,606,939, determined as follows:

Actuarial accrued liability Active participants (304 vested and 354 non-vested) Retired participants and beneficiaries currently receiving benefits (705 recipients) Vested terminated participants not yet receiving benefits (48) Member benefit reserve	\$ 74,287,872 130,524,924 2,206,444 16,081,277
Total actuarial accrued liability	223,100,517
Actuarial value of assets (smoothed market value)#	(192,493,578)
Unfunded Actuarial accrued liability	\$ 30,606,939

#Excluding reserve for health insurance in the amount of \$6,384,270

Investments are reported at fair value and are managed by third-party money managers.

# City of Lansing Notes to Financial Statements

#### 9. Retirement Commitments (continued)

#### **Employees' retirement system (continued)**

The City had initially contributed the annual required contributions ("ARC"), and thus, has never actually had, or had need to report, a net pension obligation ("NPO"), as required under GASB Statement No. 27.

#### **Schedule of Employer Contributions**

Valuation date December 31 (\$ in	Annual required contributions* thousands)	Percentage contributed
1993	3,907	99.9%
1994	4,094	99.9%
1995	4,329	98.9%
1996	4,086	99.2%
1997	3,334	99.8%
1998	3,138	100.0%
1999	3,215	100.0%
2000	3,105	100.0%
2001	3,567	98.1%
2002	3,466	102.9%
	date December 31 (\$ in  1993 1994 1995 1996 1997 1998 1999 2000 2001	date December 31 (\$ in thousands)         required contributions*           1993 3,907         3,907           1994 4,094         4,094           1995 4,329         4,086           1997 3,334         1998 3,138           1999 3,215         2000 3,105           2001 3,567

<sup>\*</sup>Due on September 1st.

# City of Lansing Notes to Financial Statements

#### 9. Retirement Commitments (continued)

**Employees' Retirement System (continued)** 

#### **Schedule of Funding Progress**

Actuarial valuation date December	l	Actuarial value of assets (a)	Actuarial accrued liability (AAL) entry age# (b)	Unfunded (Overfunded) AAL (b)-(a) nounts in thousand	Funded ratio (a)/(b)	Active member covered payroll (c)	Unfunded (Overfunded) AAL as a percentage of active member covered payroll ((b-a)/c)
1995 1996 1997 1997 1998 1999 2000 2001	@ * *	105,074 114,420 127,444 127,444 143,268 161,958 177,855 191,311	153,337 157,082 163,238 161,792 170,775 187,150 198,396 213,648	48,263 42,662 35,794 34,348 27,507 25,192 20,541 22,337	68.5% 72.8% 78.1% 78.8% 83.9% 86.5% 89.6%	18,209 18,169 18,332 18,332 17,820 19,312 19,521 20,282	265.1% 234.8% 195.3% 187.4% 154.4% 130.4% 105.2% 110.1%
2001 2002 2003		191,311 192,920 192,494	215,405 223,101	22,484 30,609	89.6% 86.3%	19,098 30,579	110.1% 117.7% 100.1%

- # Excluding the contingency reserves in the Reserve for Retired Benefit Payments.
- @ After changes in actuarial assumptions establishment of Member Benefit Reserve, elimination of the contingency reserve and adoption of minimum benefit for retirees.
- \* After changes in benefit provisions.

Analysis of the dollar amounts of the actuarial value of assets, actuarial accrued liability, and unfunded liabilities in isolation can be misleading. Expressing the assets available for benefits as a percentage of the actuarial accrued liability provides one indication of the plan's funded status on a going-concern basis. Analysis of the percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. The unfunded liabilities and annual covered payroll are both affected by inflation. Expressing the unfunded liabilities as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

#### **Notes to Financial Statements**

#### 9. Retirement Commitments (continued)

#### **Police and Fire Retirement System**

The City sponsors and administers the Police and Fire Retirement System (the plan), a single-employer defined-benefit pension plan. It is accounted for as a separate pension trust fund. No stand-alone financial reports are issued. It covers all police officers and firefighters who are full-time employees of the City. The City's payroll for employees covered by the plan for the year ended December 31, 2003, was \$26,484,226, the City's total payroll was \$65,619,390. Administration of the plan is funded through the General Fund.

As of December 31, 2003, employee membership data related to the plan were as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	607
Active members: Active members vested Active members nonvested	228 237
Total active members	465

Members may retire at any age with 25 or more years of credited service, or age 55 with 10 or more years of credited service. Members are vested after completing 10 years of credited service. Members are required to retire at age 70. Annual retirement allowances are determined by multiplying final average compensation times 3.05% for fire and 3.20% for police employees times the first 25 years of credited service. The maximum allowance is 76.25% for fire and 80.00% for police employees of final average compensation. Final average compensation is the member's highest wages for 2 consecutive years. When an employee who had retired subsequent to August 31, 1966, dies, the plan provides for an automatic pension to the retiree's spouse. This automatic pension is equal to 50% of the regular retirement benefit the employee had been receiving at time of death. Effective July 30, 1990, members may elect a reduced benefit, either 93% or 86% of the regular benefit, thereby increasing the spouse pension to 75% or 86% of the regular benefit, respectively. Alternately, members may elect a non-spousal beneficiary option. The plan provides death and disability benefits. If a member leaves employment or dies before vesting, accumulated member contributions plus interest are refunded to the member or designated beneficiary. Members who are vested and terminate their employment have the option of deferred retirement benefits until age 55 or withdrawing their contribution, thereby forfeiting any future benefits.

Fire members are required to contribute 5.72% of their annual wages to the plan. Police supervisors are required to contribute 9.52% and police non-supervisors, 8.50%. Chapter 294 of the City of Lansing's Ordinance establishes benefit provisions and requires that the portion of the annuity and pension reserves (which are determined annually by the City's actuary) not financed by member contributions shall be financed by annual appropriations.

In addition to the payments under this plan, the City made payments from the General Fund to provide benefits for the beneficiaries of a prior pension plan. This prior plan was superseded by the present plan as of January 1, 1944. There were no payments made to beneficiaries under that plan.

The City's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the year ended June 30, 2004, was determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities are being amortized as a level percent of payroll over an open period of 30 years.

#### **Notes to Financial Statements**

#### **Retirement Commitments (continued)**

#### **Police and Fire Retirement System (continued)**

Plan valuation assets are equal to the reported market value of assets except that only 20% of the difference between the mark-to-market rate of return and the 8% actuarial rate of return is recognized each year. This five year smoothing method reduces the fluctuation in the City's computed contribution rate which might otherwise be caused by market value fluctuations. The entry-age actuarial cost method is used to determine plan liabilities. Significant actuarial assumptions used in determining the entry-age actuarial accrued liability include (a) a rate of return on investments of 8% per year compounded annually (b) projected salary increases of 4% attributable to inflation and .1 to 5.5% per year depending on age attributable to seniority/merit (c) assumption that benefits generally will increase \$525 annually after age 60.

During the year ended June 30, 2004 total contributions of \$4,178,467 were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of December 31, 2003. The contribution consisted of (a) \$7,093,424 normal cost (24.41% of projected valuation payroll) and (b) \$(2,914,957) amortization of the unfunded actuarial accrued liability (11.89% of projected valuation payroll).

The City contributed \$3,275,305 (11.27% of projected valuation payroll), excluding contributions for health insurance; employees contributed \$903,162 (3.11% of projected valuation payroll).

At December 31, 2003, the assets in excess of actuarial accrued liability were \$10,160,718, determined as follows:

Actuarial accrued liability Active participants (228 vested and 237 non-vested) Retired participants and beneficiaries currently receiving benefits (597 recipients) Vested terminated participants not yet receiving benefits (10 vested)	\$ 82,196,963 184,468,860 1,120,380
Total actuarial accrued liability	267,786,203
Actuarial value of assets (smoothed market value)#	277,946,921
Assets in excess of actuarial accrued liability	\$ (10,160,718)

#Excluding reserve for health insurance in the amount of \$9,793,954

Investments are reported at fair value managed by third-party managers.

The City had initially contributed the annual required contributions ("ARC"), and thus, has never actually had, or had a need to report, a net pension obligation ("NPO"), as required under GASB Statement No. 27.

Significant actuarial assumptions used to computed contribution requirements were the same as those used to compute the standardized measure of the actuarial accrual liability.

#### 9. Retirement Commitments (continued)

**Police and Fire Retirement System (continued)** 

#### **Schedule of Employer Contributions**

Fiscal year ending June 30	Valuation date December 31 (\$ in 1)	Annual required contributions* thousands)	Percentage contributed
1995	1993	\$ 4,385	98.9%
1996	1994	4,335	100.1%
1997	1995	4,669	98.7%
1998	1996	4,252	99.0%
1999	1997	4,380	99.4%
2000	1998	4,063	100.0%
2001	1999	3,561	100.0%
2002	2000	2,665	100.0%
2003	2001	2,637	100.0%
2004	2002	3,287	99.6%

<sup>\*</sup>Due on September 1st.

#### **Schedule of Funding Progress**

Actuarial valuation date December 31	Actuarial value of assets (a)	Actuarial accrued liability (AAL) entry age (b) (\$ amo	Unfunded (Overfunded) AAL (b)-(a) ounts in thousand	Funded ratio (a)/(b)	Active member covered payroll (c)	Unfunded (Overfunded) AAL as a percentage of active member covered payroll ((b-a)/c)
1995	\$157,485	\$ 182,127	\$ 24,642	86.5%	20,899	117.9%
1996	172,830	191,074	18,244	90.5%	20,392	89.5%
1997	193,162	206,191	13,029	93.7%	22,419	58.1%
1998	217,011	218,533	1,522	99.3%	22,792	6.7%
1999 *	245,197	233,332	(11,865)	105.1%	24,352	(48.7%)
2000 *	267,020	239,615	(27,405)	111.4%	24,830	(110.4%)
2001	280,518	249,204	(31,314)	112.6%	25,751	(121.6%)
2002	280,686	259,282	(21,404)	108.3%	26,152	(81.8%)
2003	277,947	267,786	(10,161)	103.8%	26,484	(38.4%)

<sup>\*</sup> After changes in benefit provisions

Analysis of the dollar amounts of the actuarial value of assets, actuarial accrued liability and unfunded liability in isolation can be misleading. Expressing the assets available for benefits as a percentage of the actuarial accrued liability provides one indication of the Plan's funded status on a going-concern basis. Analysis of the percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. The unfunded liability and annual covered payroll are both affected by inflation. Expressing the unfunded liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

#### **Notes to Financial Statements**

#### 9. Retirement Commitments (continued)

#### **Employees' Money Purchase Pension Plan**

The City of Lansing sponsors and contributes to the Employees' Money Purchase Pension Plan, which is a single-employer defined - contribution pension plan. Administration of the plan is funded by the General Fund.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions. As established by Chapter 292.30 of the City of Lansing's Code of Ordinances, this plan includes all elected officials hired subsequent to September 30, 1990, and Teamster and District Court Teamster employees hired subsequent to October 28, 1990. As of June 30, 2004, there were 8 active members in this plan. Contributions made by employees vest immediately, and contributions made by the City vest after three years of full-time employment. When employees terminate employment, they are entitled to their contributions and the City's contributions if vesting requirements are satisfied. Employees may contribute up to 8% of their wages in 1% increments. The City contributes an amount equal to 6.0% of the employees' wages for retirement benefits.

During the year, the City's required and actual contributions amounted to \$304,366, which was approximately 6% of covered payroll for members of this plan. The total payroll for the City for fiscal year ended June 30, 2004, was \$65,619,390. Employees' contributions totaled \$9,756. The payroll for employees in the money purchase pension plan for fiscal year ended June 30, 2004 was \$4,512,099.

No pension provision changes occurred during the year that affected the required contributions to be made by the City. In addition, the plan does not issue stand-alone financial statements.

#### Employees' Retirement System – Postretirement Health Care Benefits

In addition to the pension benefits described above, the City provides postretirement health care benefits in accordance with labor agreements, to full-time employees of the City and employees of the 54-A District Court. It also does not include police officers and firefighters who are members of the Police and Fire Retirement System. Depending on date hired, members are eligible to receive health care benefits with a minimum of 8 to 15 years of service and an age requirement ranging from none to age 58. Currently, 691 retirees meet these eligibility requirements. The City provides the full cost of health benefits to retirees, payable to health care vendors, and also reimburses retirees eligible for Medicare benefits of \$54.00 per month for each covered retiree and dependent(s). The payments are charged to the General Fund of the City and are recognized as expenditures as payments are made. During the year, payments for health care benefits totaled \$5,307,090.

There were no significant changes in health benefits over the previous year.

## **Notes to Financial Statements**

#### 9. Retirement Commitments (continued)

#### Police and Fire Retirement System - Postretirement Health Care Benefits

In addition to the pension benefits described above, the City provides postretirement health care benefits, in accordance with labor agreements, to full-time police officers and firefighters with a minimum of 15 years of service and an age requirement of 55 years. If service is 25 years or more, there is no age requirement. Currently, 588 retirees meet these eligibility requirements. The City provides the full cost of health benefits to retirees, payable to health care vendors, and also reimburses retirees eligible for Medicare benefits of \$54.00 per month for each covered retiree and dependent(s). The payments are charged to the General Fund of the City and are recognized as expenditures as payments are made. During the year, payments for health care benefits totaled \$7,450,152.

There were no significant changes in health benefits over the previous year.

#### 10. Deferred Compensation Plan

The City offers certain employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits these employees to defer a portion of their salary until future years. The plan is administered by unrelated financial institutions. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 32, the City has not included the total assets of the plan in the financial statements.

#### 11. Contingent Liabilities

The City participates in a number of federally assisted grant programs funded by various departments of the U. S. government. These programs are subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenditures which many be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a defendant in several other lawsuits incidental to its operations and is aware of certain unasserted claims. In the opinion of management and the City's legal counsel, the outcome of these matters will not have a material adverse effect on the City's financial statements.

#### 12. Accumulated Deficits

#### **Special Assessments Capital Project Deficit**

The accumulated deficit of \$414,104 at June 30, 2004, in the Special Assessment Fund is expected to be eliminated as special assessment payments are received.

# City of Lansing Notes to Financial Statements

#### 13. Statement of Net Assets-Reconciliation of Internal Balances

The internal balances is reconciled as follows:

<b>A</b>	4-1 4	- 4 • - • 4 •
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Due from other funds	\$ 15,676,740
Due to other funds	(11,295,066)
TIFA capital lease payable	 (13,573,924)
	\$ (9,192,250)

## **Business-Type Activities**

V I	
Restricted due from other funds	\$ 3,793,677
Due to other funds	(5,097,387)
Restricted due to other funds	(3,077,964)
Parking System Fund receivable-current	375,255
Parking System Fund receivable-Long-term	 13,198,669
	\$ 9,192,250

# **II Financial Section**

**Required Supplementary Information** 

# City of Lansing Required Supplementary Information Budgetary Comparison Schedule Major Governmental Funds June 30, 2004

				Gener	al Fu	nd		
		Original budgeted		Final budgeted				Favorable
Revenues		amounts		amounts		Actual	(t	infavorable)
Propertytaxes	\$	32,387,890	\$	32,387,890	\$	32,519,012	\$	131,122
Incometaxes		29,528,100		29,168,611	·	27,413,270		(1,755,341)
Licenses and permits		783,854		783,854		814,990		31,136
Intergovernmental								
State		19,114,400		17,952,647		17,684,948		(267,699)
Federal		43,300		43,300		41,586		(1,714)
Charges for services		8,995,389		8,995,389		9,544,059		548,670
Fines and forfeits		4,110,300		4,110,300		4,064,161		(46,139)
Interest and rents		677,200		677,200		200,273		(476,927)
Contributions		8,804,850		8,838,546		8,718,450		(120,096)
Miscellaneous		204,600		217,446		157,895		(59,551)
Total revenues		104,649,883		103,175,183		101,158,644		(2,016,539)
Expenditures								
Current operating								
City clerk		499,643		509,623		489,178		20,445
Council		728,679		781,640		714,939		66,701
Courts		3,930,527		3,930,527		4,136,219		(205,692)
Finance		3,469,093		3,332,360		3,258,904		73,456
Fire		14,764,335		14,790,182		14,897,369		(107,187)
Generaladministration		33,574,510		33,669,885		33,108,569		561,316
Highways, streets and sanitation		-		-		-		-
Human relations and community services		664,706		651,525		646,194		5,331
Human services and community support		1,943,082		2,350,427		1,912,924		437,503
Law		742,346		795,572		754,088		41,484
Managementservices		6,533,152		6,522,467		5,760,384		762,083
Mayor		592,480		583,804		570,080		13,724
Parks and recreation		6,651,983		6,652,784		6,042,375		610,409
Personnelservices		930,254		888,768		869,673		19,095
Planning and neighborhooddevelopment		2,183,388		2,365,975		1,968,588		397,387
Police		17,991,459		18,158,607		17,844,845		313,762
Public service		2,416,985		2,358,286		2,035,744		322,542
Total current operating expenditures		97,616,622		98,342,432	_	95,010,073		3,332,359
Capital improvements, construction  Debt sevice		817,400		817,400		834,693		(17.202)
Total expenditures	_	98,434,022	_	99,159,832	_	95,844,766		3,315,066
Excess of revenues over expenditures		6,215,861		4,015,351		5,313,878		1,298,527
•		0,213,001		4,013,331	-	3,313,676		1,270,327
Other financing sources (uses)		2 502 406		2 074 977		2 572 862		(402.015)
Transfersin		2,593,406		2,974,877		2,572,862		(402,015)
Transfers out		(8,907,267)		(8,216,794)		(7,917,554)		299,240
Proceeds on sale of capital assets  Total other financing sources (uses)		98,000		98,000	_	(5 212 878)		(67,186)
		(6,215,861)		(5,143,917)		(5,313,878)		(169,961)
Net change in fund balances		-		(1,128,566)				1,128,566
Fund balance, beginning of year	_	6,931,067		6,931,067	_	6,931,067		<u> </u>
Fund balance, end of year	\$	6,931,067	\$	5,802,501	\$	6,931,067	\$	1,128,566

		ts of 1	951 Major Streets				Act	51, Public Acts	of 195	1 Local Streets		
Original budget	Final budget		Actual	avorable favorable)		Original budget		Final budget		Actual		Favorable nfavorable)
_	\$	- \$	-	\$ -	\$	-	\$	-	\$	-	\$	-
-		-	-	-		-		-		-		-
-		-	-	-		-		-		-		-
6,786,790	7,055,89	4	7,424,581	368,687		1,798,259		1,798,259		1,925,861		127,602
296,600	296,60	0	385,684	89,084		232,600		232,600		276,199		43,599
70,000	70,00	0	31,726	(38,274)		20,000		20,000		6,084		(13,916
885,000	885,00	0	553,017	(331,983)		-		-		-		-
8,038,390	8,307,49	4	8,395,008	87,514		2,050,859		2,050,859		2,208,144		157,285
_		_	-	_		-		-		_		_
-		-	-	-		-		-		-		-
-		-	-	-		-		-		-		-
_		-	-	-		-		-		-		-
		-	· · · · ·	<del>-</del>		-		<del>.</del>				
5,178,854	6,944,85	5	3,713,141	3,231,714		4,057,000		4,064,431		3,467,119		597,312
-		-	-	-		-		-		-		
-		-	-	-		-		-		-		-
-		-	-	-		-		-		-		-
-		-	-	-		-		-		-		
_		_	-	_		-		_		-		
-		-	-	-		-		-		-		
-		-	-	-		-		-		-		-
5,178,854	6,944,85	<b></b> _	3,713,141	 3,231,714		4,057,000		4,064,431		3,467,119		597,312
1,103,579	3,911,24	6	1,206,701	 2,704,545		114,776		970,089		612,107		357,982
148,000	148,00	0	147,419	 581								-
6,430,433	11,004,10	1	5,067,261	5,936,840		4,171,776		5,034,520		4,079,226		955,294
1,607,957	(2,696,60	7)	3,327,747	 6,024,354		(2,120,917)		(2,983,661)		(1,871,082)		1,112,579
(1,756,623)	(1,756,62	- 3) -	(1,705,267)	51,356		1,756,623		1,756,623		1,705,267		(51,356
(1,756,623)	(1,756,62	3)	(1,705,267)	51,356		1,756,623		1,756,623		1,705,267		(51,356
(148,666)	(4,453,23		1,622,480	 6,075,710		(364,294)		(1,227,038)		(165,815)		1,061,223
5,068,487	5,068,48	7	5,068,487	 -	_	1,837,478		1,837,478	_	1,837,478	_	-
4,919,821	\$ 615,25	7 \$	6,690,967	\$ 6,075,710	\$	1,473,184	\$	610,440	\$	1,671,663	\$	1,061,223

# City of Lansing Required Supplementary Information Notes to Required Supplementary Information – Budgetary Reporting

#### **Budgetary Presentation**

Budgetary integration is employed as a management control device during the year for all budgeted funds. Except for the General Fund, these budgets are adopted on a basis consistent with generally accepted accounting principles ("GAAP"). In the General Fund, capital lease payments / installment payments are budgeted, but capital lease / fixed asset acquisitions are not.

# **II Financial Section**

Combining and Individual Fund Statements and Schedules – Non-Major Funds

City of Lansing
Balance Sheet
Non-Major Governmental Funds – By Fund Type
June 30, 2004

	Special revenue	Debt service	Capital projects	]	Permanent funds	Totals June 30, 2004
Assets						
Cash and cash equivalents	\$ 922,414	\$ 168,319	\$ 3,588,158	\$	-	\$ 4,678,891
Equity in pooled cash	3,247,230	104	13,272,206		1,506,280	18,025,820
Investments	-	-	-		34,500	34,500
Accounts receivable net	1,124,028	-	-		-	1,124,028
Special assessments receivable	-	5,586	787,798		-	793,384
Loans receivable	230,375	-	-		-	230,375
Accrued interest receivable	-	-	1,755		-	1,755
Other receivables	593,058	-	-		-	593,058
Due from other funds	8,112,489	25	-		-	8,112,514
Due from other governments	 2,356,428	 	 1,070			 2,357,498
Total assets	\$ 16,586,022	\$ 174,034	\$ 17,650,987	\$	1,540,780	\$ 35,951,823
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ 730,457	\$ -	\$ 880,249	\$	-	\$ 1,610,706
Deposits payable	288,708	-	-		-	288,708
Accrued payroll	233,398	-	948		-	234,346
Due to other funds	3,494,662	125,596	882,664		-	4,502,922
Deferred revenue	145,694	5,586	593,264		-	744,544
Total liabilities	4,892,919	131,182	2,357,125		-	7,381,226
Fund balances						
Reserved for programs	3,804	42,852	-		1,540,780	1,587,436
Unreserved	,	,			, ,	, ,
Designated for subsequent years' expenditures	2,137,187	_	9,800,669		_	11,937,856
Undesignated	9,552,112	_	5,493,193		_	15,045,305
Total fund balances	11,693,103	42,852	15,293,862		1,540,780	28,570,597
Total liabilities and fund balances	\$ 16,586,022	\$ 174,034	\$ 17,650,987	\$	1,540,780	\$ 35,951,823

City of Lansing Statement of Revenues, Expenditures, and Changes in Fund Balances Non-Major Governmental Funds – By Fund Type For the Year Ended June 30, 2004

		Special revenue		Debt service		Capital projects	]	Permanent funds		Totals June 30, 2004
Revenues Taxes and special assessments	\$	5,513,706	\$	2,176,253	\$	145.116	\$		\$	7.835.075
Intergovernmental	Ф	9,235,135	ф	2,170,233	Φ	143,110	Ф	_	Ф	9,235,135
Charges for services		6,393,760		_		133,524		11,976		6,539,260
Fines and forfeits		806,416		-		-				806,416
Investment income		35,491		20,123		53,703		9,982		119,299
Contributions		25,845		-		-		-		25,845
Donations, private sources		-		-		22,031		-		22,031
Miscellaneous		574,991								574,991
Total revenues		22,585,344		2,196,376		354,374		21,958		25,158,052
Expenditures										
Current operating										
General government		2,790,113		-		-		-		2,790,113
Public safety		7,402,923		-		-		-		7,402,923
Recreation and culture		186,639		-		-		-		186,639
Other functions Capital improvements		4,412,262 3,798,241		-		6,300,559		-		4,412,262 10,098,800
Debt service		3,790,241		-		0,300,339		-		10,098,800
Principal		1,110,000		4,896,983		-		-		6,006,983
Interest		419,440		1,796,975						2,216,415
Total expenditures		20,119,618		6,693,958		6,300,559		-		33,114,135
Excess (deficiency) of revenues over										
expenditures		2,465,726	_	(4,497,582)	_	(5,946,185)	_	21,958	_	(7,956,083)
Other financing sources (uses)										
Transfers in		1,657,119		4,532,910		3,142,989		17,297		9,350,315
Transfers out		(6,467,427)		-		(208,950)		(21,958)		(6,698,335)
Proceeds on sale of capital assets		-		-		768,683		-		768,683
Bond proceeds	_		_			570,000	_		_	570,000
Total other financing sources (uses)		(4,810,308)		4,532,910	_	4,272,722	_	(4,661)	_	3,990,663
Net change in fund balances		(2,344,582)		35,328		(1,673,463)		17,297		(3,965,420)
Fund balances, beginning of year	_	14,037,685		7,524		16,967,325		1,523,483		32,536,017
Fund balances, end of year	\$	11,693,103	\$	42,852	\$	15,293,862	\$	1,540,780	\$	28,570,597

#### Non-Major Special Revenue Funds

Brownfield Redevelopment Authority Fund – This fund is used to account for the Authority that was established by the City of Lansing (the City) on August 17, 1997, under the authority contained in Act 381, Michigan Public Acts of 1996 (the Act). The Act authorizes the City to establish a Brownfield Redevelopment Authority and to designate the boundaries of a Brownfield redevelopment zone. The Authority is appointed to preside over such a zone, and it is authorized to promote the revitalization of environmentally distressed areas within the City of Lansing. The Act allows the Authority to participate in a broad range of improvement activities intended to encourage the reuse of industrial and commercial property by offering economic incentives for redevelopment to prevent property value deterioration.

**Tax Increment Finance Authority Fund** – This fund is used to account for the Authority that was established by the City under the authority contained in Act 450, Michigan Public Acts of 1981. The Act authorizes the City to designate specific districts within its corporate limits as TIFA districts. The TIFA presides over such districts, formulating plans for public improvements, economic development, neighborhood revitalization, and historic preservation within the districts. The Act allows the TIFA to participate in a broad range of improvement activities intended to contribute to economic growth and prevent property value deterioration. The TIFA's governing body is appointed by the Mayor with the advice and consent of the City Council. Bond issuances, to fund the above activities, are approved by the City Council and the legal liability for the debt remains with the City.

**Budget Stabilization Fund** – This fund is used to account for funds set aside under the provisions of Public Act 30 of 1978. Funds set aside are to be determined by the City Council on an annual basis in any year where actual General Fund revenues exceed actual expenditures.

**Drug Law Enforcement Fund** – This fund accounts for revenues set aside for drug law enforcement under the provisions of State of Michigan Public Act 135 of 1985, as amended.

**State and Federal Programs Fund** – This fund accounts for all revenues received from miscellaneous grants and local contributions. These revenues are used for projects as detailed in individual grant applications.

**Community Development Block Grant Program Fund** – This fund accounts for revenues received from the Department of Housing and Urban Development. These revenues are restricted to accomplishing the various objectives of Community Development Block Grant Programs, within specific target areas.

**Stadium Fund** – This fund accounts for the City's share of revenues received from events held at Oldsmobile Park, the City's baseball stadium. The revenues are used for stadium expenditures.

**Principal Shopping District Fund** – This fund accounts for assessments received from businesses located in the district. The revenues are used for special events and maintenance of the district.

**911 Communications Center Fund** – This fund accounts for the operations of the county-wide 911 communications center. Revenues received are from the County for actual expenditures incurred.

**Building Department Fund** – This fund accounts for revenues and expenditures resulting from the enforcement of the State Construction Code Act of 1999 (PA 245 of 1999).

**Parks Department Fund** – This fund accounts for contributions and transfers which are restricted for park expenditures.

# City of Lansing Combining Balance Sheet Non-Major Special Revenue Funds June 30, 2004

	Rec	rownfield levelopment Authority		Tax ncrement Finance Authority	Si	Budget tabilization		Drug Law nforcement		State and Federal Programs
Assets Cash and cash equivalents	\$	238,263	\$	364,216	\$	_	\$	59,989	\$	_
Equity in pooled cash	Ψ	230,203	Ψ	501,210	Ψ	180,541	Ψ	1,330,350	Ψ	_
Accounts receivable		_		2,670		-		-		4,864
Loans receivable		_		2,070		_		_		-,00
Other receivables		_		_		_		_		_
Due from other funds		_		_		8,112,489		_		_
Due from other governments		-		-		-		-		2,356,428
Total assets	\$	238,263	\$	366,886	\$	8,293,030	\$	1,390,339	\$	2,361,292
Liabilities and fund balances										
Liabilities										
Accounts payable	\$	233,742	\$	5,350	\$	_	\$	25,174	\$	278,450
Deposits payable		· -		· -		_		281,658		-
Accrued payroll		-		-		_		5,423		33,678
Due to other funds		-		-		_		-		1,934,562
Deferred revenue		4,521		-		_		-		110,798
Total liabilities		238,263		5,350		-		312,255		2,357,488
Fund balances										
Reserved for restricted purposes		-		-		_		-		3,804
Unreserved										
Designated for subsequent years' expenditures		-		-		_		1,078,084		-
Undesignated		-		361,536		8,293,030		-		-
Total fund balances		-		361,536	_	8,293,030		1,078,084		3,804
Total Liabilities and Fund Balances	\$	238,263	\$	366,886	\$	8,293,030	\$	1,390,339	\$	2,361,292

Do Bl	ommunity evelopment lock Grant Program	Stadium	$\mathbf{S}$	Principal hopping District	Com	911 Communications Center		Building Department		Parks epartment		Totals June 30, 2004
\$	255,956	\$ -	\$	-	\$	-	\$	3,990	\$	-	\$	922,414
	-	956,117 163,217		52,253 2,500		946,492		118,751 4,285		609,218		3,247,230 1,124,028
	230,375	103,217		2,300		J40,4 <i>J</i> 2		4,203		_		230,375
	593,058			_		-		_		-		593,058
	-	-		_		-		_		_		8,112,489
				-					_			2,356,428
\$	1,079,389	\$ 1,119,334	\$	54,753	\$	946,492	\$	127,026	\$	609,218	\$ 1	16,586,022
\$	146,507	\$ -	\$	27,096	\$	10,861	\$	1,056 7,050	\$	2,221	\$	730,457 288,708
	34,713	-		3,441		128,149		27,994		-		233,398
	867,794	-		-		692,306		-		-		3,494,662
	30,375			-				_		-		145,694
	1,079,389			30,537		831,316		36,100	_	2,221		4,892,919
	-	-		-		-		-		-		3,804
	_	452,106		_		-		_		606,997		2,137,187
	-	667,228		24,216		115,176		90,926				9,552,112
	_	1,119,334		24,216	_	115,176		90,926		606,997	1	1,693,103
\$	1,079,389	\$ 1,119,334	\$	54,753	\$	946,492	\$	127,026	\$	609,218	\$ 1	16,586,022

City of Lansing Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Non-Major Special Revenue Funds For the Year Ended June 30, 2004

Revenues	Rec	rownfield levelopment Authority		Tax Increment Finance Authority	St	Budget abilization		Drug Law nforcement		State and Federal Programs
Taxes and special assessments	\$	247,916	\$	4,863,392	\$	_	\$	_	\$	_
Intergovernmental	Ψ	12,567	Ψ	-,003,372	Ψ	_	Ψ	395,488	Ψ	6,380,616
Charges for services		-		_		_		-		-
Fines and forfeits		-		_		_		806,416		-
Interest		-		9,974		-		6,741		2,237
Contributions		-		-		-		-		-
Miscellaneous		_		_				_		
Total revenues		260,483		4,873,366		_		1,208,645		6,382,853
Expenditures Current operating										
General government		16,810		237,875		-		-		-
Public safety		-		-		-		537,698		2,617,392
Recreation and culture Other functions		-		-		-		-		128,895
		219,471		580,988		-		384,580		4,024,204
Capital improvements Debt service		219,471		380,988		-		-		-
Principal		_		_		_		_		_
Interest		_		_		_		_		_
Total expenditures		236,281		818,863		_		922,278		6,770,491
Excess (deficiency) of revenues over			_							
expenditures		24,202		4,054,503		_		286,367		(387,638)
Other financing sources (uses)										
Transfersin		-		-		-		-		318,432
Transfersout		(24,202)	_	(4,354,210)		(2,063,912)		(23,500)		(1,603)
Total other financing sources (uses)		(24,202)		(4,354,210)		(2,063,912)		(23,500)		316,829
Net change in fund balances		-		(299,707)		(2,063,912)		262,867		(70,809)
Fund balances, beginning of year				661,243	_	10,356,942	_	815,217		74,613
Fund balances, end of year	\$	_	\$	361,536	\$	8,293,030	\$	1,078,084	\$	3,804

Community Development Block Grant Program		Stadium	Principal Shopping District	911 Communications Center	Building Department	Parks Department	Totals June 30, 2004
\$	-	\$ -	\$ 402,398	\$ -	\$ -	\$ -	\$ 5,513,706
	2,446,464	-	-	-	-	-	9,235,135
	-	730,864	=	3,959,918	1,702,978	-	6,393,760
	-	-	-	-	-	-	806,416
	4,893	7,187	483 10,000	15,845	-	3,976	35,491 25,845
	546,425	-	4,035	24,531	-	-	23,843 574,991
		720.051			1.702.070	2.07.6	
	2,997,782	738,051	416,916	4,000,294	1,702,978	3,976	22,585,344
	_	255,600	457,464	-	1,822,364	-	2,790,113
	-	,	, -	4,247,833	-	-	7,402,923
	-	57,744	_	-	-	-	186,639
	-	-	_	-	-	3,478	4,412,262
	2,997,782	-	-	-	-	-	3,798,241
	-	1,110,000	-	-	-	-	1,110,000
		419,440					419,440
	2,997,782	1,842,784	457,464	4,247,833	1,822,364	3,478	20,119,618
		(1,104,733)	(40,548)	(247,539)	(119,386)	498	2,465,726
	-	1,000,000	42,075	74,312	210,312	11,988	1,657,119
_							(6,467,427)
		1,000,000	42,075	74,312	210,312	11,988	(4,810,308)
	-	(104,733)	1,527	(173,227) 90,926 12,486		(2,344,582)	
		1,224,067	22,689	288,403		594,511	14,037,685
\$		\$ 1,119,334	\$ 24,216	\$ 115,176	\$ 90,926	\$ 606,997	\$ 11,693,103

# City of Lansing Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Non-Major Special Revenue Funds For the Year Ended June 30, 2004

		Tax Increment		_		
		Finance Authorit		B	Budget Stabilization	
	Budget	Actual	Favorable (unfavorable)	Budget	Actual	Favorable (unfavorable)
Revenues	Duugei	Actual	(umavorable)	Duaget	Actual	(umavorable)
Taxes and special assessments	\$ 5,116,872	\$ 4,863,392	\$ (253,480)	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Interest	48,200	9,974	(38,226)	-	-	-
Contributions	=	-	-	-	-	-
Miscellaneous						
Total revenues	5,165,072	4,873,366	(291,706)		-	
Expenditures						
Current operating						
General government, administrative	255,844	237,875	17,969	-	-	-
Public safety	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-
Other functions	-	-	-	-	-	-
Capital improvements	834,988	580,988	254,000	-	-	-
Debt service						-
Principal	-	-	-	-	-	-
Interest						
Total expenditures	1,090,832	818,863	271,969			
Excess (deficiency) of revenues over						
expenditures	4,074,240	4,054,503	(19,737)	-	-	-
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	(4,354,210)	(4,354,210)		(2,203,371)	(2,063,912)	(139,459)
Total other financing sources (uses)	(4,354,210)	(4,354,210)	_	(2,203,371)	(2,063,912)	(139,459)
Net change in fund balances	(279,970)	(299,707)	(19,737)	(2,203,371)	(2,063,912)	(139,459)
Fund balances, beginning of year	661,243	661,243		10,356,942	10,356,942	
Fund balances, end of year	\$ 381,273	\$ 361,536	\$ (19,737)	\$ 8,153,571	\$ 8,293,030	\$ (139,459)

Drug Law Enforcement							Stat	l Federal Progi			Community Development Block Grant Program						
В	udget	Actual			avorable favorable)		Budget		Actual		Favorable nfavorable)		Budget		Actual		orable vorable)
\$	395,488	\$	395,488	\$	-	\$	15,456,196	\$	6,380,616	\$	(9,075,580)	\$	3,818,287	\$	2,446,464	\$	- 1,371,823)
	440,000 15,000		806,416 6,741		366,416 (8,259)		2,309		2,237		72		1,076,383		4,893	(	- - 1,071,490)
	-		-		-		-		-		-		-		546,425		546,425
	850,488		1,208,645		358,157		15,458,505		6,382,853		(9,075,652)		4,894,670		2,997,782	(	1,896,888)
	-		-		-		-		-		-		-		-		-
	739,852		537,698		202,154		3,541,154 130,665		2,617,392 128,895		923,762 1,770		-		-		
	-		384,580		(384,580)		12,294,440		4,024,204		8,270,236		-		-		-
	-		-		-		-		-		-		4,894,670		2,997,782		1,896,888
	-		-		-		-		-		-		-		-		
	739,852		922,278		(182,426)		15,966,259	_	6,770,491		9,195,768	_	4,894,670		2,997,782		1,896,888
	110,636		286,367		175,731	_	(507,754)		(387,638)		(120,116)						_
	(23,500)		(23,500)		-		438,548 (1,603)		318,432 (1,603)		120,116		-		-		-
	(23,500)		(23,500)		_		436,945		316,829		120,116				-		
	87,136		262,867		175,731		(70,809)		(70,809)		-		-		-		
	815,217		815,217		-		74,613	_	74,613					_			
\$	902,353	\$	1,078,084	\$	175,731	\$	3,804	\$	3,804	\$	-	\$		\$	-	\$	

City of Lansing
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances – Budget and Actual –
Non-Major Special Revenue Funds (Continued)
For the Year Ended June 30, 2004

		Stadium		Principal Shopping District						
	Budget	Actual	Favorable (unfavorable)	Budget	Actual	Favorable (unfavorable)				
Revenues										
Taxes and special assessments	\$ -	\$ -	\$ -	\$ 403,864	\$ 402,398	\$ (1,466)				
Intergovernmental	-		-	-	-	-				
Charges for services	875,000	730,864	(144,136)	-	-	-				
Fines and forfeits	-	-	- (12.012)	-	-	-				
Interest Contributions	20,000	7,187	(12,813)	2,000	483	(1,517)				
	-	-	-	10,000	10,000	- (65)				
Miscellaneous				4,100	4,035	(65)				
Total revenues	895,000	738,051	(156,949)	419,964	416,916	(3,048)				
Expenditures										
Current operating										
General government, administrative	255,600	255,600	-	474,228	457,464	16,764				
Public safety	-	-	-	-	-	-				
Recreation and culture	58,000	57,744	256	-	-	-				
Other functions	-	-	-	-	-	-				
Capital improvements	-	-	-	-	-	-				
Debt service										
Principal	1,110,000	1,110,000	-	-	-	-				
Interest	419,265	419,440	(175)							
Total expenditures	1,842,865	1,842,784	81	474,228	457,464	16,764				
Excess (deficiency) of revenues over										
expenditures	(947,865)	(1,104,733)	(156,868)	(54,264)	(40,548)	13,716				
Other financing sources (uses)										
Transfers in	1,000,000	1,000,000	_	42,075	42,075	_				
Transfers out	, , , <u>-</u>	-	-	· -	, -	-				
Total other financing sources (uses)	1,000,000	1,000,000		42,075	42,075					
Net change in fund balances	52,135	(104,733)	(156,868)	(12,189)	1,527	13,716				
Fund balances, beginning of year	1,224,067	1,224,067		22,689	22,689					
Fund balances, end of year	\$ 1,276,202	\$ 1,119,334	\$ (156,868)	\$ 10,500	\$ 24,216	\$ 13,716				

911	Comm	unications C	enter		<b>Building Department</b>							<b>Budgeted Funds Totals</b>					
Budget	Actual			Tavorable nfavorable)		Budget		Actual		avorable favorable)		Budget		Actual		Favorable infavorable)	
\$ -	\$	-	\$	-	\$	-	\$	-	\$	-	\$	5,520,736	\$	5,265,790	\$	(254,946)	
-		-		-		-		-		-		19,669,971		9,222,568		(10,447,403)	
3,959,918		3,959,918		-		1,457,300		1,702,978		245,678		6,292,218		6,393,760		101,542	
-		-		-		-		-		-		440,000		806,416		366,416	
-				-		-		-		-		1,163,892		31,515		(1,132,233)	
		15,845		15,845		-		-		-		10,000		25,845		15,845	
 12,937		24,531		11,594	_		_				_	17,037		574,991		557,954	
 3,972,855		4,000,294		27,439	_	1,457,300	_	1,702,978	_	245,678	_	33,113,854	_	22,320,885	_	(10,792,969)	
_		_		_		1,767,612		1,822,364		(54,752)		2,753,284		2,773,303		(20,019)	
4,181,272		4,247,833		(66,561)		-		-		-		8,462,278		7,402,923		1,059,355	
-		-				-		-		-		188,665		186,639		2,026	
-		-		-		-		-		-		12,294,440		4,408,784		7,885,656	
-		-		-		-		-		-		5,729,658		3,578,770		2,150,888	
_		_		_		_		_		_		1,110,000		1,110,000		_	
-		-		-		-		-		-		419,265		419,440		(175)	
4,181,272		4,247,833		(66,561)		1,767,612		1,822,364		(54,752)		30,957,590		19,879,859		11,077,731	
 (208,417)		(247,539)		(39,122)	_	(310,312)		(119,386)		190,926		2,156,264		2,441,026	_	44,530	
214,312		74,312		140,000		310,312		210,312		100,000		2,005,247		1,645,131		360,116	
 				-						-		(6,582,684)		(6,443,225)		(139,459)	
214,312		74,312		140,000		310,312		210,312		100,000		(4,577,437)		(4,798,094)		220,657	
5,895		(173,227)		(179,122)		-		90,926		90,926		(2,421,173)		(2,357,068)		(214,813)	
 288,403		288,403						-			_	13,443,174		13,443,174		-	
\$ 294,298	\$	115,176	\$	(179,122)	\$	_	\$	90,926	\$	90,926	\$	11,022,001	\$	11,086,106	\$	(214,813)	

# City of Lansing Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Non-Major Special Revenue Funds (Continued) For the Year Ended June 30, 2004

	Parks	Funds Not An  Department	Bı	rownfield oment Authority	Totals
_		Actual	-	Actual	Actual
Revenues Taxes and special assessments Intergovernmental Charges for services Fines and forfeits Interest Contributions Miscellaneous	\$	- - - - 3,976 -	\$	247,916 12,567 - - -	\$ 5,513,706 9,235,135 6,393,760 806,416 35,491 25,845 574,991
Total revenues		3,976		260,483	22,585,344
Expenditures Current operating General government, administrative Public safety Recreation and culture Other functions Capital improvements Debt service Principal Interest		3,478		16,810 - - - 219,471	2,790,113 7,402,923 186,639 4,412,262 3,798,241 1,110,000 419,440
Total expenditures		3,478		236,281	20,119,618
Excess (deficiency) of revenues over expenditures		498		24,202	2,465,726
Other financing sources (uses) Transfers in Transfers out		11,988		(24,202)	1,657,119 (6,467,427)
Total other financing sources (uses)		11,988		(24,202)	(4,810,308)
Net change in fund balances		12,486		-	(2,344,582)
Fund balances, beginning of year		594,511			 14,037,685
Fund balances, end of year	\$	606,997	\$	<u>-</u>	\$ 11,693,103

#### Non-Major Debt Service Funds

**1990 Special Assessments Fund** – This fund accounts for the accumulation of resources for payment of the 1990 \$800,000 Special Assessment Bonds.

**1996 Refunding Bonds Fund** – This fund accounts for the accumulation of resources for payment of the 1996 \$10,800,000 Refunding Bonds.

**1998 Building Authority Fund** – This fund accounts for the accumulation of resources for payment of the 1998 \$2,175,000 Building Authority Bonds.

**1999 Fire Station Fund** – This fund accounts for the accumulation of resources for payment of the 1999 \$3,000,000 Unlimited Tax General Obligation Bonds.

**2001 Fire Station Fund** – This fund accounts for the accumulation of resources for the payment of the 2001 \$4,000,000 Unlimited Tax General Obligation Bonds.

**Tax Increment Finance Authority Fund** – This fund includes the activities of the City of Lansing Parking Structure Lease and 1994 Tax Increment Finance Authority, General Obligation Tax Increment Bonds.

# City of Lansing Combining Balance Sheet Non-Major Debt Service Funds June 30, 2004

	1990 Special Assessments	1996 Refunding s Bonds	1998 Building Authority
Assets Cash and cash equivalents	\$ 5,009	\$ 156,129	\$ -
Equity in pooled cash	-		-
Special assessments receivable	5,586	-	-
Due from other funds		<u> </u>	25
Total assets	\$ 10,595	\$ 156,129	\$ 25
Liabilities and fund balances			
Liabilities			
Due to other funds	\$ 4,999	\$ 120,265	\$ -
Deferred revenues	5,586	<u> </u>	<u> </u>
Total liabilities	10,585	120,265	
Fund balances			
reserved for Debt Service	10	35,864	25
Total fund balances	10	35,864	25
Total liabilities and fund balances	\$ 10,595	\$ 156,129	\$ 25

1999 Fire Station		2001 Fire tation	Fi	ncrement nance thority	Totals June 30, 2004				
\$	6,738 104 -	\$ 443 - - -	\$	- - -	\$	168,319 104 5,586 25			
\$	6,842	\$ 443	\$		\$	174,034			
\$	<u>-</u>	\$ 332	\$	- -	\$	125,596 5,586			
		332				131,182			
	6,842	111		-		42,852			
	6,842	 111		<u> </u>		42,852			
\$	6,842	\$ 443	\$	-	\$	174,034			

City of Lansing Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Non-Major Debt Service Funds For the Year Ended June 30, 2004

	1990 Special Assessments	1996 Refunding Bonds	1998 Building Authority
Revenues			
Taxes and special assessments	\$ 11,253	\$ 1,570,000	\$ -
Interest	7,344	8,957	
Total revenues	18,597	1,578,957	
Expenditures			
Principal payments	20,000	1,155,000	90,000
Interest	3,500	390,508	88,675
Total expenditures	23,500	1,545,508	178,675
Excess (deficiency) of revenues over expenditures  Other financing sources	(4,903)	33,449	(178,675)
Transfers in		<u> </u>	178,700
Total other financing sources			178,700
Net change in fund balances	(4,903)	33,449	25
Fund balances, beginning of year	4,913	2,415	
Fund balances, end of year	\$ 10	\$ 35,864	\$ 25

1999 Fire Station			2001 Fire Station	Т	ax Increment Finance Authority	Totals June 30, 2004				
\$	\$ 295,000 2,019		300,000 1,803	\$	-	\$	2,176,253 20,123			
	297,019		301,803				2,196,376			
	140,000 150,300		125,000 176,765		3,366,983 987,227		4,896,983 1,796,975			
	290,300		301,765		4,354,210		6,693,958			
	6,719		38		(4,354,210)		(4,497,582)			
	<u>-</u>		<u> </u>		4,354,210		4,532,910			
	-		_		4,354,210		4,532,910			
	6,719		38		-		35,328			
	123		73				7,524			
\$	6,842	\$	111	\$	_	\$	42,852			

# City of Lansing Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Non-Major Debt Service Funds For the Year Ended June 30, 2004

		199	0 Spe	cial Assessm	ents		1996 RefundingBonds							
	Budget		Actual		Favorable (unfavorable)			Budget		Actual		'avorable nfavorable)		
Revenues				11.050		- 252		4.550.000		4.550.000				
Taxes and special assessments Interest	\$	5,000	\$	11,253 7,344	\$	6,253 7,344	\$	1,570,000	\$	1,570,000 8,957	\$	8,957		
Total revenues		5,000		18,597		13,597		1,570,000		1,578,957		8,957		
Expenditures														
Principalpayments Interest		20,000 3,500		20,000 3,500		-		1,155,000 390,660		1,155,000 390,508		152		
Total expenditures		23,500		23,500		-		1,545,660		1,545,508		152		
Excess (deficiency)of revenues over expenditures  Other financing sources		(18,500)		(4,903)		13,597		24,340	_	33,449		9,109		
Transfersin						_	_							
Total other financing sources				-			_							
Net change in fund balances		(18,500)		(4,903)		13,597	_	24,340		33,449		9,109		
Fund balances, beginning of year		4,913		4,913		-		2,415		2,415		_		
Fund balances, end of year	\$	(13,587)	\$	10	\$	13,597	\$	26,755	\$	35,864	\$	9,109		

	199	8 Building Autho	ority			1999	Fire Station	1				200	1 Fire Station	1	
I	Budget	Actual	Favorable (unfavorable)		Budget		Actual		avorable favorable)		Budget		Actual		avorable favorable)
\$	-	\$ -	\$ -	\$	295,000	\$	295,000 2,019	\$	2,019	\$	300,000	\$	300,000 1,803	\$	1,803
					295,000		297,019		2,019	_	300,000		301,803		1,803
	90,000 88,675	90,000 88,675	- -		140,000 150,550		140,000 150,300		250		125,000 176,890		125,000 176,765		- 125
	178,675	178,675		_	290,550		290,300		250	_	301,890		301,765		125
	(178,675)	(178,675)			4,450		6,719		2,269		(1,890)	_	38		1,928
	178,700	178,700			_				_		_				
	178,700	178,700					-		_				_		
	25	25			4,450		6,719		2,269		(1,890)		38		1,928
	-				123		123		-		73		73		-
\$	25	\$ 25	\$ -	\$	4,573	\$	6,842	\$	2,269	\$	(1,817)	\$	111	\$	1,928

# City of Lansing Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Non-Major Debt Service Funds (Continued) For the Year Ended June 30, 2004

		udge	ted Funds Tot	Fa	avorable	_	Fund Not mally Budgeted ax Increment Finance Authority	l 	Totals
Revenues	Budget		Actual	(un	favorable)		Actual		Actual
Taxes and special assessments Interest	\$ 2,170,000	\$	2,176,253 20,123	\$	6,253 20,123	\$	-	\$	2,176,253 20,123
Total revenues	 2,170,000		2,196,376		26,376				2,196,376
Expenditures Principal payments Interest	 1,530,000 810,275		1,530,000 809,748		- 527		3,366,983 987,227		4,896,983 1,796,975
Total expenditures	2,340,275		2,339,748		527		4,354,210		6,693,958
Excess (deficiency) of revenues over expenditures	 (170,275)		(143,372)		26,903		(4,354,210)		(4,497,582)
Other financing sources Transfers in	 178,700		178,700		-		4,354,210		4,532,910
Total other financing sources	 178,700		178,700		-		4,354,210		4,532,910
Net change in fund balances	8,425		35,328		26,903		_		35,328
Fund balances, beginning of year	7,524		7,524		-	_			7,524
Fund balances, end of year	\$ 15,949	\$	42,852	\$	26,903	\$	-	\$	42,852

#### City of Lansing

#### **Non-Major Capital Projects Funds**

**1969 Storm Sewers Fund** – This fund accounts for the proceeds of the 1969 \$3,700,000 Storm Sewer and Drain bonds.

**1984 Street Improvements Fund** – This fund accounts for the proceeds of the 1984 \$2,200,000 loan from the State of Michigan Department of Transportation.

**1986 Street Improvements Fund** – This fund accounts for the proceeds of the 1986 \$2,000,000 Michigan Transportation Fund bonds.

**1987 Street Improvements Fund** – This fund accounts for the proceeds of the 1987 \$22,000,000 Unlimited Tax bonds.

**1988 Environmental Fund** – This fund accounts for the proceeds of the 1988 \$1,700,000 Environmental Cleanup bonds.

1990 Environmental I Fund – This fund accounts for the proceeds of the 1990 \$7,000,000 Environmental bonds.

**1990 Environmental II Fund** – This fund accounts for the proceeds of the 1990 \$6,300,000 Environmental bonds.

**Combined Sewer Overflow Fund** – This fund accounts for the storm sewer portion of the combined sewer overflow bonds.

**Special Assessments Fund** – This fund is used to account for the financing of public improvements deemed to benefit the properties against which special assessments are levied.

**1999 Fire Station Fund** – This fund accounts for the proceeds of the 1999 \$3,000,000 Unlimited Tax General Obligation Bonds.

**2001 Fire Station Fund** – This fund accounts for the proceeds of the 2001 \$4,000,000 Unlimited Tax General Obligation Bonds.

**Miscellaneous Fund** – This fund accounts for miscellaneous capital projects.

#### City of Lansing Combining Balance Sheet Non-Major Capital Projects Funds June 30, 2004

	1969 Storm Sewers		Imp	84 reet rove- ents	St: Imp	986 reet rove- ents	1987 Street Improve- ments		Env	988 viron- ental
Assets Cash and cash equivalents	\$		\$		\$		\$		\$	
Equity in pooled cash	Ф	_	Ф	_	Ф	_	Ф	96,481	Ф	_
Accruedinterest receivable		_		_		_		-		_
Special assessmentsreceivable:										
Current		-		-		-		-		-
Deferred		-		-		-		-		-
Due from other governments		-		_		-		-		_
<b>Total assets</b>	\$	-	\$	-	\$	-	\$	96,481	\$	-
Liabilities and Fund Balances Liabilities and fund balances Accounts payable	\$	_	\$	_	\$	_	\$	-	\$	_
Accruedpayroll		-		-		-		-		-
Due to other funds		-		-		-		-		-
Deferredrevenue										
Total liabilities										
Fund balances (deficit) Unreserved										
Designated for subsequent years' expenditures Undesignated (deficit)		-		- -		- -		96,481		- -
Total fund balances (deficit)		-		-		_		96,481		-
Total liabilities and fund balances	\$	-	\$	-	\$		\$	96,481	\$	_

1990 Environ- nental I	1990 Environ- mental II	Combined Sewer Overflow	Special Assess- ments	1999 Fire Station	2001 Fire Station	N	Iiscellaneous	Totals June 30, 2004
\$ 74,026 -	\$ 352,301 -	\$ 1,411,204 -	\$ - - -	\$ 344,614 -	\$ 2,605,144 - 1,755	\$	983,014 10,993,580	\$ 3,588,158 13,272,206 1,755
- - -	- - -	- - -	194,534 593,264 1,070	- - -	- - -		- - -	194,534 593,264 1,070
\$ 74,026	\$ 352,301	\$ 1,411,204	\$ 788,868	\$ 344,614	\$ 2,606,899	\$	11,976,594	\$ 17,650,987
\$ - - - - -	\$ - - - -	\$ - - - -	\$ 17,185 - 592,523 593,264 1,202,972	\$ 16,493 - - - 16,493	\$ 290,141	\$	846,571 948 - - 847,519	\$ 880,249 948 882,664 593,264 2,357,125
\$ 74,026 74,026 74,026	\$ 227,356 124,945 352,301 352,301	\$ 1,411,204 1,411,204 1,411,204	\$ (414,104) (414,104) 788,868	\$ 120,202 207,919 328,121 344,614	\$ 2,316,758 2,316,758 2,606,899	\$	9,356,630 1,772,445 11,129,075 11,976,594	\$ 9,800,669 5,493,193 15,293,862 17,650,987

City of Lansing Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Non-Major Capital Projects Funds For the Year Ended June 30, 2004

	1969 Storm Sewers	1984 Street Improve- ments	1986 Street Improve- ments	1987 Street Improve- ments	1988 Environ- mental
Revenues					
Special assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-
Interest	-	-	-	641	-
Donations, private sources					
Total revenues				641	
Expenditures					
Capital improvements	139,656	865	30,628		14,331
Excess (deficiency) of revenues over expenditures	(139,656)	(865)	(30,628)	641	(14,331)
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Proceeds on sale of capital assets	-	-	-	-	-
Bond proceeds					
Total other financing sources					
Net change in fund balances	(139,656)	(865)	(30,628)	641	(14,331)
Fund balance (deficit) beginning of year	139,656	865	30,628	95,840	14,331
Fund balance (deficit), end of year	\$ -	\$ -	\$ -	\$ 96,481	\$ -

E	1990 nviron- nental I	1990 Environ- mental II	Combined Sewer Overflow	Special Assess- ments	1999 Fire Station	2001 Fire Station	Miscellaneous	Totals June 30, 2004
\$	-	\$ -	\$ -	\$ 145,116	\$ -	\$ -	\$ -	\$ 145,116
	- 492 -	2,339	- - -	- - -	2,901	26,605	133,524 20,725 22,031	133,524 53,703 22,031
	492	2,339		145,116	2,901	26,605	176,280	354,374
			11,167	463,790	155,076	454,389	5,030,657	6,300,559
	492	2,339	(11,167)	(318,674)	(152,175)	(427,784)	(4,854,377)	(5,946,185)
	- - -	- - -	- - -	- - -	- - -	- - -	3,142,989 (208,950) 768,683 570,000	3,142,989 (208,950) 768,683 570,000
	-	_	_				4,272,722	4,272,722
	492 73,534	2,339 349,962	(11,167) 1,422,371	(318,674) (95,430)	(152,175) 480,296	(427,784) 2,744,542	(581,655) 11,710,730	(1,673,463) 16,967,325
\$	74,026	\$ 352,301	\$ 1,411,204	\$ (414,104)	\$ 328,121	\$ 2,316,758	\$ 11,129,075	\$ 15,293,862

#### City of Lansing Permanent Funds

**Cemetery Perpetual Care Fund** – This fund accounts for transfers from the Cemetery Fund, representing 15% of lot sales. These funds are invested, and all investment earnings are transferred to the Cemetery Fund for lot maintenance.

**Parks Trust Fund** – This fund accounts for contributions made for City parks, the principal of which must be preserved in accordance with the trust indentures. Income derived from these contributions is transferred to the Parks Department special revenue fund.

#### City of Lansing Combining Balance Sheet Permanent Funds June 30, 2004

	Cemetery Perpetual Care	Totals June 30, 2004	
Assets Equity in pooled cash Investments	\$ 1,505,030 34,500	\$ 1,250	\$ 1,506,280 34,500
Total assets	1,539,530	1,250	1,540,780
Fund balances Reserved for restricted purposes	\$ 1,539,530	\$ 1,250	\$ 1,540,780

City of Lansing
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Permanent Funds
For the Year Ended June 30, 2004

	Cemetery Perpetual Care	Parks Trust	Totals June 30, 2004
Operatingrevenues Rents	\$ -	\$ 11,976	\$ 11,976
Operatingincome		11,976	11,976
Nonoperatingrevenues Income from investments			
Interest and dividends	9,970	12	9,982
Other financing sources (uses) Transfers in Transfers out	17,297 (9,970)	(11,988)	17,297 (21,958)
Total other financing sources (uses) Net change in fund balances Fund balances, beginning of year (as restated)	7,327 17,297 1,522,233	(11,988) - 1,250	(4,661) 17,297 1,523,483
Fund balances, end of year	\$ 1,539,530	\$ 1,250	\$ 1,540,780

#### **City of Lansing**

#### Non-Major Enterprise Funds

Cemetery Fund – This fund accounts for the operation of City-owned cemeteries.

Golf Fund - This fund accounts for the operation of the City-owned golf courses.

**Garbage and Rubbish Collection Fund** – This fund accounts for the provision of household solid waste disposal services to participating residents of the City.

Recycling Fund – This fund accounts for the provision of recycling services to participating residents of the City.

Potter Park Zoo Fund – This fund accounts for the operations of the Potter Park Zoo.

#### City of Lansing Combining Statement of Net Assets Non-Major Enterprise Funds June 30, 2004

	(	Cemetery		Golf		Garbage and Rubbish Collection		Recycling		Potter Park Zoo		Totals June 30, 2004
Assets Cash and cash equivalents	\$		\$	12,933	\$	6,615	\$		\$	7,871	\$	27,419
Equity in pooled cash	Þ	125,324	Ф	12,933	Ф	68,167	Ф	1,332,757	Ф	223,923	Ф	1,750,171
Receivables, net of allowances for uncollectibles		123,324		-		00,107		1,332,737		223,923		1,730,171
Accounts		500		_		148,889		(423)		_		148,966
Inventories		55,203		47,023		12,901		(423)		_		115,127
				,			_	1 222 224	_	221.704	_	
Total current assets		181,027		59,956		236,572		1,332,334		231,794		2,041,683
Capital assets, net of accumulated depreciation		185,524	_	2,592,308			_	887,530	_	5,992,084	_	9,657,446
Total assets	\$	366,551	\$	2,652,264	\$	236,572	\$	2,219,864	\$	6,223,878	\$	11,699,129
Liabilities												
Accounts payable	\$	323	\$	22,813	\$	42,408	\$	41,685	\$	19,137	\$	126,366
Accrued payroll		12,694		33,631		9,433		24,258		29,829		109,845
Due to other funds		-		632,814		-		-		-		632,814
Deferred revenues		-		27,453		65,033		-		-		92,486
Accrued interest payable		-		13,528		-		-		-		13,528
General obligation bonds payable, current		-		50,000		-		-		-		50,000
Accrued compensated absences, current		21,679		45,738		62,430		50,581		92,638		273,066
General obligation bonds payable, long-term		-		943,425		-		-		-		943,425
Accrued compensated absences		18,854				22,973		15,421		49,368		106,616
Total liabilities		53,550		1,769,402		202,277		131,945		190,972	_	2,348,146
Net Assets												
Invested in capital assets, net of related debt		185,524		1,598,883		-		887,530		5,992,084		8,664,021
Restricted for debt retirement		-		-		-		-		-		-
Unrestricted	-	127,477		(716,021)		34,295		1,200,389		40,822	_	686,962
Total net assets	\$	313,001	\$	882,862	\$	34,295	\$	2,087,919	\$	6,032,906	\$	9,350,983

City of Lansing Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets Non-Major Enterprise Funds For the Year Ended June 30, 2004

	(	Cemetery		Golf		Garbage and Rubbish Collection		Recycling	Potter Park Zoo		Totals June 30, 2004
Operatingrevenues											
Charges for services	\$	218,719	\$	946,123	\$	1,315,413	\$	2,115,917	\$ 505,666		5,101,838
Operatingexpenses											
Personal services		506,565		804,452		575,346		1,480,042	1,372,817		4,739,222
Purchase of goods and services		286,082		606,914		746,414		1,265,244	784,069		3,688,723
Depreciation		35,426		153,389				23,021	 385,179	_	597,015
Total operating expenses		828,073		1,564,755		1,321,760		2,768,307	2,542,065		9,024,960
Operatingloss		(609,354)		(618,632)		(6,347)		(652,390)	(2,036,399)		(3,923,122)
Nonoperatingrevenues(expenses)											
Investmentrevenue		-		-		392		18,965	-		19,357
Gain on sale of capital assets		7,912		5,800		-		-	-		13,712
Interest expense and paying agent fees				(55,914)	_				-		(55,914)
Total nonoperatingrevenues (expenses)		7,912	_	(50,114)	_	392	_	18,965			(22,845)
Loss before operating transfers		(601,442)	_	(668,746)	_	(5,955)		(633,425)	(2,036,399)		(3,945,967)
Transfersand capital contributions											
CapitalContributions		-		93,207		-		-	-		93,207
Transfersin		552,272		840,123		40,250		25,600	1,488,959		2,947,204
Transfersout		(17,297)		-			_		-		(17,297)
Total		534,975		933,330		40,250		25,600	 1,488,959		3,023,114
Change in net assets		(66,467)		264,584	_	34,295	_	(607,825)	 (547,440)	_	(922,853)
Total net assets - beginningof fiscal year		379,468		618,278	_			2,695,744	6,580,346	_	10,273,836
Total net assets - end of fiscal year	\$	313,001	\$	882,862	\$	34,295	\$	2,087,919	\$ 6,032,906	\$	9,350,983

#### City of Lansing Combining Statement of Cash Flows Non-Major Enterprise Funds For the Year Ended June 30, 2004

	Cemetery
Cash flows from operating activities Cash received from customers Cash payments for goods and services Cash payments to employees	\$ 218,219 (290,179) (508,201)
Net cash used for operating activities	(580,161)
Cash flows from noncapital financing activities Transfers in Transfers out	552,272 (17,297)
Net cash provided by noncapital financing activities	534,975
Cash flows from capital and related financing activities Proceeds from sale of capital assets Acquisition and construction of capital assets Principal paid on revenue and general obligation bonds Interest paid on revenue and general obligation bonds	7,912 (20,340)
Net cash used for capital and related financing activities	(12,428)
Cash flows from investing activities Interest and dividends	
Net increase (decrease) in cash and cash equivalents	(57,614)
Cash and cash equivalents, beginning of year	182,938
Cash and cash equivalents, end of year	\$ 125,324
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities Operating income (loss)	\$ (609,354)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities  Depreciation expense (Increase) decrease in accounts receivable (Increase) decrease in inventory Increase (decrease) in accounts payable Increase (decrease) in accrued liabilities Increase (decrease) in deferred revenue Increase (decrease) in due to other funds	35,426 (500) 3,508 (7,605) (1,636)
Total adjustments	29,193
Net cash provided by (used for) operating activities	\$ (580,161)

	Garbage and Rubbish Golf Collection			and Rubbish					Totals June 30, 2004
\$	942,823 (834,502) (813,430)	\$	1,342,407 (747,106) (578,236)	\$	2,154,996 (1,283,223) (1,471,586)	\$	505,666 (790,399) (1,361,918)	\$	5,164,111 (3,945,409) (4,733,371)
	(705,109)		17,065		(599,813)	_	(1,646,651)	_	(3,514,669)
	840,123		40,250		25,600		1,488,959		2,921,604 8,303
	840,123		40,250		25,600		1,488,959	_	2,929,907
	5,800 (50,393) (50,000) (55,585)		- - -		- - -		(40,146) - -		13,712 (110,879) (50,000) (55,585)
	(150,178)						(40,146)		(202,752)
_	- (15.164)		392		18,965	_	(107.929)		19,357
	(15,164)		57,707		(555,248) 1,888,005		(197,838) 429,632		(768,157) 2,545,747
	28,097	_	17,075			_	•	_	
\$	12,933	\$	74,782	\$	1,332,757	\$	231,794	\$	1,777,590
\$	(618,632)	\$	(6,347)	\$	(652,390)	\$	(2,036,399)	\$	(3,923,122)
	153,389 (2,856) (55,342) (8,978) (3,300) (169,390)		33,600 (9,887) 9,195 (2,889) (6,607)		23,021 39,079 (17,979) 8,456		385,179 - (8,792) 13,361 -		597,015 72,179 (9,235) (80,523) 8,314 (9,907) (169,390)
	(86,477)		23,412		52,577		389,748		408,453
\$	(7/05,109)	\$	17,065	\$	(599,813)	\$	(1,646,651)	\$	(3,514,669)

## City of Lansing Internal Service Funds

**Public Service Garage Fund** – This fund accounts for the costs of operating a maintenance facility for trucks and equipment used by the Public Service Department.

**Local Site Remediation Revolving Fund** – This fund accounts for the activities of the Local Site Remediation Revolving Fund for the Brownfield Redevelopment Authority of the City of Lansing.

#### City of Lansing Combining Statement of Net Assets Internal Service Funds June 30, 2004

			nental Activ Service Fu		
	Public Service Garage		Local Site Remediation Revolving		Total Internal rvice Funds
Assets Current assets Cash and cash equivalents Equity in pooled cash Inventories Restricted assets Cash and cash equivalents	\$ 2,814,605 254,624 21,068	\$	67,054 - -	\$	67,054 2,814,605 254,624 21,068
Accrued interest receivable  Total current assets	3,090,311		67,054		3,157,365
Bond issue costs	 7,628		-		7,628
Property, plant and equipment, net of accumulated depreciation	 5,394,881				5,394,881
Total assets	\$ 8,492,820	\$	67,054	\$	8,559,874
Liabilities Current liabilities Accounts payable Accrued payroll Accrued compensated absences Payable from restricted assets Accrued interest payable	\$ 55,202 18,416 57,545 28,979	\$	5,916 - -	\$	61,118 18,416 57,545 28,979
Total current liabilities	160,142		5,916		166,058
Capital lease payable Accrued compensated absences	1,625,000 49,930		- -		1,625,000 49,930
Total liabilities	1,835,072		5,916		1,840,988
Net assets Invested in capital assets, net of related debt Unrestricted	 3,748,530 2,909,218		61,138		3,748,530 2,970,356
Total net assets	\$ 6,657,748	\$	61,138	\$	6,718,886

City of Lansing Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets Internal Service Funds For the Year Ended June 30, 2004

	Governmental Activities Internal Service Funds						
	Public Service Garage	Local Site Remediation Revolving	Total Internal Service Funds				
Operating revenues Charges for services	\$ 3,480,831	\$ 4,250	\$ 3,485,081				
Total operating revenues	3,480,831	4,250	3,485,081				
Operating expenses Personal services Purchase of goods and services Depreciation	1,158,804 972,693 905,442	5,916	1,164,720 972,693 905,442				
Total operating expenses	3,036,939	5,916	3,042,855				
Operatingincome(loss)	443,892	(1,666)	442,226				
Nonoperatingrevenues (expenses) Interestincome Gain on sale of capital assets Interest expense and paying agent fees Amortization of bond issue costs	242 40,730 (90,505) (654)	1,666 - - -	1,908 40,730 (90,505) (654)				
Total nonoperating expenses	(50,187)	1,666	(48,521)				
Net income (loss) before transfers	393,705	-	393,705				
Transfers Transferin		24,202	24,202				
Change in net assets	393,705	24,202	417,907				
Net assets, beginning of year	6,264,043	36,936	6,300,979				
Net assets, end of year	\$ 6,657,748	\$ 61,138	\$ 6,718,886				

#### City of Lansing Combining Statement of Cash Flows Internal Service Funds For the Year Ended June 30, 2004

	Public Service Garage	Ren	cal Site nediation evolving	Se	Total Internal rvice Funds
Cash flows from operating activities Cash received from customers Cash payments for goods and services Cash payments to employees	\$ 3,483,808 (1,100,144) (1,162,304)	\$	4,250 (1,857)	\$	3,488,058 (1,102,001) (1,162,304)
Net cash provided by operating activities	1,221,360		2,393		1,223,753
Cash flows from noncapital financing activities Transfers from other funds	_		24,202		24,202
Cash flows from capital and related financing activities Proceeds from sale of capital assets Payments of capital lease and interest Acquisition of capital assets	40,730 (192,288) (1,248,025)		- - -		40,730 (192,288) (1,248,025)
Net cash used for capital and related financing activities	(1,399,583)		-		(1,399,583)
Cash flows from investing activities Interest income	 256		1,666		1,922
Net increase in cash and cash equivalents	(177,967)		28,261		(149,706)
Cash and cash equivalents, beginning of year	 3,013,640		38,793		3,052,433
Cash and cash equivalents, end of year	\$ 2,835,673	\$	67,054	\$	2,902,727
Reconciliation of operating income (loss) to net cash provided by operating activities  Operating income	\$ 443,892	\$	(1,666)	\$	442,226
Adjustments to reconcile operating income to net cash provided by operating activities	 <del>, , , , , , , , , , , , , , , , , , , </del>				,
Depreciation (Increase) decrease in accounts receivable	905,442 2,977		-		905,442 2,977 (4,730)
(Increase) decrease in inventory Increase (decrease) in accounts payable Increase (decrease) in accrued payroll Increase (decrease) in accrued compensated absences	 (4,730) (122,721) (6,650) 3,150		4,059		(4,730) (118,662) (6,650) 3,150
Total adjustments	777,468		4,059		781,527
Net cash provided by operating activities	\$ 1,221,360	\$	2,393	\$	1,223,753

#### City of Lansing

#### Pension (and Other Postemployment Benefit) Trust Funds

**Employees' Retirement System Fund** – This fund accounts for the accumulation of resources to be used for retirement annuity payments to eligible full-time employees of the City except for police officers and firefighters, who are members of a separate pension plan.

**Police and Fire Retirement System Fund** – This fund accounts for the accumulation of resources to be used for retirement annuity payments to eligible police officers and firefighters who are full-time employees of the City.

**Employees' Money Purchase Pension Plan Fund** – This fund accounts for the accumulation of resources to be used for retirement distributions for certain City employees.

City of Lansing Combining Statement of Fiduciary Net Assets Pension (and Other Postemployment Benefit) Trust Funds June 30, 2004

	Employees' Retirement System	Police and Fire Retirement System	Employees' Money Purchase Pension Plan	Totals June 30, 2004
Assets Cash and cash equivalents	\$ 11,180,027	\$ 9,595,364	\$ -	\$ 20,775,391
Investments U. S. Government obligations Corporate bonds Common stocks Stock mutual funds Contribution receivable Dividends and interest receivable Accrued interest receivable Due from other funds	47,523,999 13,331,375 80,675,274 34,107,520 106,008 603,226	61,390,608 18,446,070 129,441,969 39,038,759 228,420 786,260	3,615,840 - - 984 - 4,077	112,530,447 31,777,445 210,117,243 73,146,279 335,412 1,389,486 4,077 994,337
Total assets	\$ 187,748,899	\$ 259,700,317	\$ 3,620,901	\$451,070,117
Liabilities				
Accounts payable Due to other funds	\$ 264,103 2,432,842	\$ 24,999	\$ <u>-</u>	\$ 289,102 2,432,842
Total liabilities	\$ 2,696,945	\$ 24,999	\$ -	\$ 2,721,944
Net assets				
Held in trust for pension benefits	\$ 185,051,954	\$ 259,675,318	\$ 3,620,901	\$ 448,348,173

The accompanying notes are an integral part of the financial statements.

City of Lansing Combining Statement of Changes in Fiduciary Net Assets Pension (and Other Postemployment Benefit) Trust Funds For the Year Ended June 30, 2004

		Employees' Retirement System		Police and Fire Retirement System		Employees' Money Purchase Pension Plan		Totals June 30, 2004
Additions								
Contributions	\$	3,465,937	\$	3,286,596	\$	273.095	\$	7,025,628
Employer Plan members	Ф	4,867,614	Ф	2,107,924	Ф	18,731	Ф	6.994.269
Investment income (loss)		4,007,014		2,107,924		10,731		0,554,205
Realized/unrealized gain (loss) on investments		16,823,112		21,983,601		633,579		39,440,292
Interest income		3,313,889		4,149,972		69,677		7,533,538
Dividend income		543,238		2,981,300		-		3,524,538
Less investment expenses		820,187		764,485		-		1,584,672
Net investment income		19,860,052		28,350,388		703,256		48,913,696
Total additions		28,193,603		33,744,908		995,082		62,933,593
Deductions								
Benefits paid to plan members & beneficiaries		13,115,046		17,702,909		3,093,014		33,910,969
Administrative expense		6,749		748		15,802		23,299
Total deductions		13,121,795		17,703,657		3,108,816		33,934,268
Net increase (decrease)		15,071,808		16,041,251		(2,113,734)		28,999,325
Net assets held in trust for pension benefits, beginning of year		169,980,146		243,634,067		5,734,635		419,348,848
Net assets held in trust for pension benefits, end of year	\$	185,051,954	\$	259,675,318	\$	3,620,901	\$	448,348,173

The accompanying notes are an integral part of the financial statements.

**III Statistical Section - Unaudited** 

City of Lansing
Table 1
General Government Expenditures by Function - Unaudited
Last Ten Fiscal Years

Fiscal Year Ended 30-Jun	General Government	Public Safety	Highways Streets & Sanitation	Recreation & Forestry	Other Current Operating Functions	Capital Improvements	Debt Service	Total
1995	38,181,035	26,109,356	1,580,006	4,905,500	1,809,503	-	6,519,698	79,105,098
1996	38,433,505	27,466,390	1,644,852	5,301,870	2,175,199	949,790	5,522,414	81,494,020
1997	41,324,182	29,020,008	1,912,124	5,357,320	2,149,177	-	4,682,986	84,445,797
1998	42,830,367	30,717,779	1,891,131	5,631,947	2,152,265	-	4,414,774	87,638,263
1999	45,468,182	30,969,168	1,963,583	5,731,151	2,103,340	-	4,605,066	90,840,490
2000	46,560,643	32,540,064	1,941,559	5,970,697	2,189,257	-	4,888,861	94,091,081
2001	45,820,100	30,320,012	2,088,520	5,855,827	2,354,102	-	5,526,209	91,964,770
2002	46,621,310	31,425,523	2,069,940	6,108,158	2,395,721	-	5,159,772	93,780,424
2003	50,823,368	32,069,212	1,960,101	6,221,089	2,531,310	-	2,996,819	96,601,899
2004	51,022,462	32,742,214	2,035,744	6,042,375	2,559,118	-	3,174,441	97,576,354

 $NOTE:\ This\ statement\ includes\ expenditures\ reported\ in\ the\ General\ Fund,\ and\ Debt\ Service\ Funds.$ 

City of Lansing
Table 2
General Government Revenues by Source - Unaudited
Last Ten Fiscal Years

Fiscal Year Ended 30-Jun	Taxes and Special Assessments	Licenses and Permits	Inter- Governmental	Charges for Services	Fines and Forfeits	Interest	Contributions	Miscellaneous	Total
1995	50,323,603	1,339,812	17,698,116	7,589,851	2,636,608	1,465,703	5,946,271	227,874	87,227,838
1996	51,870,546	1,469,071	18,429,686	7,573,660	2,812,087	1,688,707	6,340,387	331,939	90,516,083
1997	53,170,786	1,302,672	21,220,828	7,946,618	3,103,904	1,902,485	6,187,762	114,743	94,949,798
1998	53,295,737	1,655,243	19,986,784	8,791,357	3,306,649	2,042,915	6,253,764	99,073	95,431,522
1999	55,600,921	2,261,113	20,093,935	9,696,473	3,606,791	1,825,471	6,447,022	118,091	99,649,817
2000	57,080,136	2,777,274	21,594,707	10,145,040	3,910,984	1,628,910	6,548,556	468,551	104,154,158
2001	57,319,659	645,087	22,180,479	7,475,021	3,578,632	1,267,015	6,716,768	357,476	99,540,137
2002	60,442,894	976,332	21,202,213	8,651,949	4,050,234	643,190	7,542,754	250,277	103,759,843
2003	62,378,892	925,455	19,435,110	9,257,508	4,696,311	523,619	8,893,208	169,836	106,279,939
2004	62,108,536	814,990	17,726,534	9,544,059	4,064,161	220,396	8,718,450	157,895	103,355,021

NOTE: This statement includes revenues reported in the General Fund and Debt Service Funds.

City of Lansing
Table 3
Property Tax Levies and Collections – Unaudited
Last Ten Fiscal Years

30-Jun	Property Tax Levy	Current Tax Collection	Percent of Levy Collected	(1) Delinquent Tax Collection	Total Tax Collection	Collections as a Percent of Levy
1995	31,052,100	30,916,625	99.56%	(24,493)	30,892,132	99.48%
1996	31,549,341	31,495,388	99.83%	19,546	31,514,934	99.89%
1997	33,626,394	33,561,067	99.81%	11,500	33,572,567	99.84%
1998	33,360,681	33,269,198	99.73%	(402)	$33,268,79\epsilon$	99.72%
1999	34,984,481	34,887,287	99.72%	70,749	$34,958,03\epsilon$	99.92%
2000	35,027,907	34,886,808	99.60%	48,074	34,934,882	99.73%
2001	35,547,497	35,330,288	99.39%	18,522	35,348,810	99.44%
2002	36,357,748	36,208,985	99.59%	59,625	36,268,610	99.75%
2003	37,310,65€	37,041,662	99.28%	(97,842)	36,943,820	99.02%
2004	38,267,514	37,826,43€	98.85%	58,255	37,884,691	99.00%

<sup>(1)</sup> Net of chargebacksfrom the County Tax RevolvingFunds for taxes still delinquentafter three years.

City of Lansing
Table 4
Assessed and Market Value of Taxable Property – Unaudited
Last Ten Fiscal Years

Fiscal Year Ending June 30	Real Property Valuation	Personal Property Valuation	Total Assessed Valuation	Market Value
1995	1,375,760,015	245,568,950	1,621,328,965	3,242,657,930
1996	1,397,575,065	256,327,150	1,653,902,215	3,419,995,740
1997	1,467,989,483	286,476,195	1,754,465,678	3,508,931,356
1998	1,514,616,050	313,545,380	1,828,161,430	3,656,322,860
1999	1,593,000,290	330,098,200	1,923,098,490	3,846,196,980
2000	1,697,114,303	354,475,087	2,051,589,390	4,103,178,780
2001	1,814,591,830	305,623,290	2,120,215,120	4,240,430,240
2002	2,079,145,930	289,408,415	2,368,554,345	4,737,108,690
2003	2,247,479,770	304,627,500	2,552,107,270	5,104,214,540
2004	2,438,968,070	287,439,600	2,726,407,670	5,452,815,340

NOTE: Includes equivalent value of tax abated properties.

Source: City Assessor's Office.

**City of Lansing** Table 5 Property Tax Rates - Direct and Overlapping Governments (1) (2) - Unaudited (Per \$1,000 of Assessed Value) **Last Ten Fiscal Years** 

Fiscal Year Ended June 30	Tax Year	Operating Millage	Debt Service Millage	Total City Millage	County Millage	School Millage	State Education	Community College Millage	(3) Other Millage	Total
1995	1994	15.04	2.36	17.40	7.67	20.07	6.00	2.98	6.09	60.21
1996	1995	15.04	2.36	17.40	7.67	19.72	6.00	2.94	6.07	59.80
1997	1996	15.04	2.36	17.40	7.55	19.90	6.00	2.94	6.06	59.85
1998	1997	15.04	2.06	17.10	7.61	18.88	6.00	2.94	7.43	59.96
1999	1998	15.04	2.06	17.10	7.61	18.94	6.00	2.94	7.41	60.00
2000	1999	14.90	2.06	16.96	7.61	19.52	6.00	2.92	7.36	60.37
2001	2000	14.90	2.06	16.96	7.61	19.04	6.00	2.92	7.62	60.15
2002	2001	14.40	2.06	16.46	7.61	19.10	6.00	3.89	7.59	60.65
2003	2002	14.90	1.03	15.93	8.11	19.01	6.00	3.87	8.34	61.26
2004	2003	14.90	1.03	15.93	8.11	19.06	5.00	3.85	8.89	60.84

Notes: (1) Rates for Ingham County and Lansing School District only.
(2) Since 1995 this is the Non-homestead rate.
(3) Includes Intermediate School, Airport Authority, Capital
Area Transit Authority and Capital Area District Library (began in FY 98).

City of Lansing
Table 6
Special Assessment Billings and Collections - Unaudited
Last Ten Fiscal Years

Fiscal Year Ended 30-Jun	Special Assessment Billings	Special Assessments Collected
1995	93,834	215,037
1996	182,457	217,693
1997	16,411	181,325
1998	438,683	169,916
1999	96,655	132,948
2000	665,430	244,182
2001	271,452	327,471
2002	(103,940)	92,036
2003	503,740	172,666
2004	(97,933)	317,003

Note: Capital project assessments only. Does not include annual maintenance assessments.

City of Lansing Table 7

#### Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita -Unaudited

#### **Last Ten Fiscal Years**

					Debt			
					Payable			
					From		Ratio of	
Fiscal				Debt	Enterprise		Net Bonded	Net
Year				Service	Revenues		Debt to	Bonded
Ended		Assessed	Gross Bonded	Monies	& Special	Net Bonded	Assessed	Debt per
30-Jun	Population(1)	Value(3)	Debt(2)	Available	Assessments	Debt	Value	Capita
1995	127,400	1,621,328,965	111,089,608	1,124,021	47,109,686	62,855,901	0.0388	493
1996	127,400	1,653,902,215	115,803,602	1,375,679	50,880,306	63,547,617	0.0384	499
1997	127,400	1,754,465,678	118,363,721	1,517,293	53,404,646	63,441,782	0.0362	498
1998	127,400	1,828,161,430	123,443,265	1,206,355	56,970,391	65,266,519	0.0357	512
1999	127,400	1,923,098,490	121,478,788	992,002	77,835,655	42,651,131	0.0222	335
2000	127,400	2,051,589,390	128,099,643	865,317	86,471,510	40,762,816	0.0199	320
2001	119,128	2,120,215,120	128,819,227	266,393	93,171,094	35,381,740	0.0167	297
2002	119,128	2,368,554,345	135,999,133	28,496	102,232,751	33,737,886	0.0142	283
2003	119,128	2,552,107,270	140,043,000	7,524	110,419,899	29,615,577	0.0116	249
2004	119,128	2,726,407,670	166,581,000	42,852	145,505,724	21,032,424	0.0077	177

NOTE:

<sup>(1)</sup> Population per decennial census by the U.S. Census Bureau.

Includes all general obligation debt and special assessment debt with governmental obligation.
 The tax assessment day is December 31 prior to beginning of fiscal year.

### **City of Lansing**

## Table 8 Computation of Legal Debt Margin - Unaudited June 30, 2004

Assessed value, real and personal property (1) Assessed value equivalents (2)		\$	2,758,192,967 136,667,300
Total valuation		\$	2,894,860,267
Legal debt margin Debt limitation - 10 percent of total valuation		\$	289,486,027
Debt applicable to limitations  Total bonded debt \$  Less  Special assessment bonds	222,493,000 45,000		
Sewage Disposal revenue bonds CSO bonds Amounts available for repayment of debt	55,220,784 80,013,225 42,852	_	
Total debt applicable to limitation		_	87,171,139
Legal debt margin		\$	202,314,888

- (1) At 12/31/00, for taxes to be levied 7/1/01.
- (2) Per state statute, calculated by dividing the sum of the following amounts by the city's millage rate:
  - a. The amount levied by the city for its own use during the city's fiscal year from the specific tax levied under Act No. 198 of the Public Acts of 1974.
  - b. The amount levied by the city for its own use during the city's fiscal year from the specific tax levied under Act No. 255 of the Public Acts of 1978.

City of Lansing
Table 9
Computation of Direct and Overlapping Bonded Debt – Unaudited
General Obligation Bonds
June 30, 2004

Name of Governmental Unit	Net General Obligation Bonded Debt Outstanding	% Applicable to City	Amount Applicable to City
Direct - City	\$ 21,285,281 (1)	100.00%	\$ 21,285,281
Overlapping			
Eaton Intermediate School District Waverly School District Lansing School District East Lansing School District Holt School District Ingham Intermediate School District Ingham County Eaton County Lansing Community College Okemos School District Grand Ledge	2,055,000 46,075,000 77,830,000 82,475,064 113,890,054 440,000 38,490,959 14,999,976 58,950,000 46,698,000 54,990,000	0.55% 0.25% 86.97% 4.55% 3.13% 28.11% 32.25% 1.93% 23.77% 2.88% 1.09%	\$ 11,303 115,188 67,688,751 3,752,615 3,564,759 123,684 12,413,334 289,500 14,012,415 1,344,902 599,391
Total Overlapping Debt			103,915,841
Total Direct and Overlapping Debt			\$125,201,122

<sup>(1)</sup> Excluding general obligation bonds reported in the enterprise funds, special assessment debt with government commitment and amount available for repayment in the debt service fund.

City of Lansing
Table 10
Ratio of Annual Debt Service for General Obligation Bonded Debt (1) to Total General
Governmental Expenditures - Unaudited
Last Ten Fiscal Years

Fiscal Year Ended 30-Jun	Principal	Interest(2)	Total Debt Service	Total General(3) Governmental Expenditures	Ratio Debt Service To General Governmental Expenditures (Percent)
1995	2,683,836	2,938,208	5,622,044	79,105,098	7.11%
1996	2,125,000	2,769,749	4,894,749	81,494,020	6.01%
1997	2,275,000	1,261,735	3,536,735	84,445,797	4.19%
1998	2,665,000	1,345,248	4,010,248	87,638,263	4.58%
1999	2,850,000	1,259,893	4,109,893	90,840,490	4.52%
2000	3,195,000	1,165,861	4,360,861	94,091,081	4.63%
2001	3,780,000	1,056,686	4,836,686	91,964,770	5.26%
2002	3,460,000	1,030,825	4,490,825	93,780,424	4.79%
2003	1,440,000	871,345	2,311,345	96,601,899	2.39%
2004	1,510,000	806,248	2,316,248	97,584,514	2.37%

<sup>(1)</sup> General obligation bonds reported in the enterprise and special revenue funds and special assessment debt with government commitment have been excluded.

<sup>(2)</sup> Excludes bond issuance and other costs.

<sup>(3)</sup> Includes general and debt service funds.

City of Lansing
Table 11A
Schedule of Bond Coverage – Unaudited
Municipal Parking System Fund Bonds (4)
Last Ten Fiscal Years

Fiscal Year Ended	•	Gross	(2) <b>Direct Operating</b>	Net Revenue Available for	De	ebt Service Req	uirements	
30-Jun		Revenue	Expenses	<b>Debt Service</b>	Principal	Interest	Total	Coverage  (1)
1995	(3)	5,242,568	3,178,488	2,064,080	35,000	977,177	1,012,177	2.04
1996		6,574,366	3,396,481	3,177,885	465,000	1,600,543	2,065,543	1.54
1997		7,031,243	3,329,415	3,701,828	595,000	1,402,952	1,997,952	1.85
1998		6,848,019	3,257,757	3,590,262	625,000	1,373,545	1,998,545	1.80
1999		7,085,473	3,597,530	3,487,943	655,000	1,258,195	1,913,195	1.82
2000		7,490,165	3,993,315	3,496,850	690,000	1,143,550	1,833,550	1.91
2001		8,029,967	3,773,187	4,256,780	720,000	1,109,988	1,829,988	2.33
2002		7,763,065	3,750,268	4,012,797	755,000	1,073,858	1,828,858	2.19
2003		7,642,684	3,667,542	3,975,142	795,000	1,035,228	1,830,228	2.17
2004		7,504,144	3,872,290	3,631,854	835,000	979,224	1,814,224	2.00

- (1) Coverage is defined as net revenue available for debt service divided by debt service requirements.
- (2) Operating expenses less depreciation.
- (3) Advanced refunding of debt resulted in lower than usual principal and interest payments for 1995.
- (4) Debt service payments are budgeted and expended within the Parking System. These bonds also carry a limited tax general obligation pledge.

City of Lansing
Table 11B
Schedule of Revenue Bond Coverage – Unaudited
Sewage Disposal System Fund Revenue Bond
Last Ten Fiscal Years

Fiscal Year Ended	Gross	(B) Direct Operating	Net Revenue Available for	Del	ot Service Requi	irements	
30-Jun	Revenue	Expenses	Debt Service	Principal	Interest	Total	Coverage(A)
1995	17,743,349	9,925,650	7,817,699	2,075,000	2,733,660	4,808,660	1.63
1996	20,137,924	10,113,705	10,024,219	2,100,000	2,750,865	4,850,865	2.07
1997	20,867,394	10,004,525	10,862,869	2,235,000	2,624,340	4,859,340	2.24
1998	21,107,381	9,996,022	11,111,359	2,370,000	2,492,280	4,862,280	2.29
1999	21,623,804	10,528,286	11,095,518	2,180,000	1,656,475	3,836,475	2.89
2000	24,193,795	10,574,104	13,619,691	3,065,000	1,976,600	5,041,600	2.70
2001	25,841,763	10,592,681	15,249,082	3,190,000	1,854,090	5,044,090	3.02
2002	26,963,775	11,209,711	15,754,064	3,320,000	1,723,253	5,043,253	3.12
2003	26,196,518	11,543,509	14,653,009	3,475,000	1,723,253	5,198,253	2.82
2004	26,601,646	12,775,001	13,826,645	3,715,000	1,786,328	5,501,328	2.51

<sup>(</sup>A) Coverage is defined as net revenue available for debt service divided by debt service requirements exclusive of general obligation debt.

<sup>(</sup>B) Operating expenses less depreciation.

City of Lansing
Table 12
Demographic Statistics - Unaudited
Last Ten Fiscal Years

Year	Population(1)	Median Age(2)	School Enrollment(3)	Unemployment % Rate(4)	Labor Force(4)
1995	127,400	30.92	19,376	4.9	63,725
1996	127,400	31.16	19,267	4.9	64,325
1997	127,400	31.40	20,013	2.9	66,275
1998	127,400	31.64	19,049	4.1	66,425
1999	127,400	31.88	18,443	4.2	66,550
2000	119,100	31.40	17,836	4.7	68,300
2001	119,100	31.56	17,586	4.5	67,725
2002	119,100	31.72	17,490	5.6	67,700
2003	119,100	31.88	17,600	6.7	65,325
2004	119,100	31.96	16,927	7	63,750

- (1) Population per decennial census by the U.S. Census Bureau.
- (2) 2000 data from <u>U.S. Census Bureau</u>. Data for other years estimated by City of Lansing Finance Department.
- (3) Annual school census from the Lansing School District. Figures included private school enrollment thru 1993; information no longer available.
- (4) Michigan Department of Career Development: Employment Service Agency Labor Market Information.

City of Lansing
Table 13
Property Value and Construction - Unaudited
Last Ten Fiscal Years

Fiscal	Commercial Construction(1) Number		Residential Construction(1) Number		Non-Taxable Construction(1) Number		Property'	Value*(2)
Year	of Units	Value	of Units	Value	of Units	Value	Commercial	Residential
1995	47	40,333,592	78	13,955,957	4	2,862,793	1,620,992,330	1,722,143,600
1996	155	26,662,518	60	6,790,675	2	31,700,800	1,667,979,400	1,752,016,340
1997	**	**	**	**	**	**	1,706,111,856	1,802,819,500
1998	284	71,145,105	43	11,040,108	2	972,473	1,773,967,600	1,882,355,200
1999	280	128,740,243	74	21,090,617	10	8,937,703	1,848,569,600	2,003,271,800
2000	246	247,879,211	67	19,928,424	7	3,305,000	1,990,006,580	2,113,172,200
2001	247	70,161,126	40	8,525,127	8	5,802,000	2,001,607,380	2,238,822,860
2002	235	30,765,104	85	16,498,209	16	8,778,098	2,360,109,190	2,376,999,500
2003	311	61,909,724	53	20,530,387	10	3,124,000	2,525,357,440	2,578,857,100
2004	332	102,849,308	76	12,097,433	16	6,828,800	2,602,349,140	2,850,466,200

#### SOURCE:

- (1) City of Lansing Building Office.
- (2) City of Lansing Assessor.

NOTE: Construction value includes additions and alterations to existing structures.

<sup>\*</sup>Estimated actual value (non-taxable property values unavailable; not required by State of Michigan).

<sup>\*\*</sup>Not available

City of Lansing
Table 14
Principal Taxpayers - Unaudited
June 30, 2004

Taxpayer	Total Assessed Valuation	Percentage of Total Assessed Valuation
General Motors	\$ 223,100,800	7.71%
Jackson National Life Insurance Company	31,786,400	1.10%
525 Redevco Inc	25,976,200	0.90%
Capitol Outlook LLC	23,029,300	0.80%
Consumers Energy	22,043,400	0.76%
Lansing Retail Center LLC	15,544,200	0.54%
Accident Fund Company	13,724,200	0.47%
Sprint Spectrum L.P.	13,454,600	0.46%
Cricket Communications Inc	13,391,600	0.46%
Trappers Cove LTD Partners	13,198,200	0.46%

Includes equivalent value (tax divided by tax rate) of property granted tax relief.

#### City of Lansing Table 15 Miscellaneous Statistics - Unaudited June 30, 2004

Date of Incorporation Form of government Number of employees (excluding Police & Fire) Union Non-union	1859 Council-Mayor 695 73	
Area in square miles	34.68	
Facilities and Services Miles of streets	410.39	
Culture and Recreation: Parks	114	
Parks acreage	2223.77	
Golf Courses	4	
Golf Course acreage	318	
Fire Protection		
Number of stations	9	
Number of firefighters (sworn)	235	
Police Protection		
Number of stations	3	
Number of officers	249	
Sewage System		
Miles of sanitary sewers	331	
Miles of storm sewers	211	
Miles of combined sewers	213	

**City of Lansing** Table 16 Water Consumption by User Classification – Unaudited Fiscal Years Ended June 30, 1995 through 2004

Fiscal Year	Residential	Commercial	Industrial	Total Water Consumption CCF	Percentage Change(1)
1995	3,032,308	2,630,336	853,518	6,516,162	-4.07%
1996	3,065,508	2,771,980	776,037	6,613,525	1.49%
1997	3,019,529	2,715,153	958,093	6,692,775	1.20%
1998	3,012,012	2,661,809	754,084	6,427,905	-3.96%
1999	2,864,687	2,605,759	575,362	6,045,808	-5.94%
2000	2,764,510	2,543,847	546,830	5,855,187	-3.15%
2001	2,675,050	2,463,041	592,603	5,730,694	-2.13%
2002	2,674,901	2,453,988	709,225	5,838,114	1.87%
2003	2,686,170	2,500,847	724,622	5,911,639	1.26%
2004	2,628,378	2,560,232	622,765	5,811,375	-1.70%

<sup>(1)</sup> Water consumption declined in certain years because:
a. Rainfall was higher than normal thereby reducing water use for lawn sprinkling by residential and commercial customers.

b. Industrial customers are increasingly recycling their water in an effort to reduce the cost of complying with pretreatment requirements.

City of Lansing
Table 17
Percentage of Water Consumption by User Classification - Unaudited
Fiscal Years Ended June 30, 1995 through 2004

Fiscal Year	Residential	Commercial	Industrial	Total
1995	46.50%	41.30%	12.20%	100.00%
1996	46.50%	40.40%	13.10%	100.00%
1997	46.40%	41.90%	11.70%	100.00%
1998	45.10%	40.60%	14.30%	100.00%
1999	47.40%	43.10%	9.50%	100.00%
2000	47.20%	43.40%	9.40%	100.00%
2001	46.70%	43.00%	10.30%	100.00%
2002	45.80%	42.00%	12.20%	100.00%
2003	45.40%	42.30%	12.30%	100.00%
2004	45.20%	44.10%	10.70%	100.00%

City of Lansing
Table 18
Ten Largest System Customers by Water Consumption - Unaudited
Fiscal Year Ended June 30, 2004

Customer	Principal Product or Service	Water Consumption (CCF)	
GM-NOA-LAD	Automotive	\$	533,733
City of Lansing	Government Offices		174,471
State of Michigan	Government Offices		115,296
Ingham Regional Medical Center	Hospital		100,438
Sparrow Hospital	Hospital		87,902
Frandorson Properties	Property Management		66,028
Bioport	Pharmaceuticals		65,970
Lansing School District	Education		57,703
DTN Management	Property Management		56,896
Lansing Housing Commission	Housing		51,831